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THOMAS F. MCFARLAND

June 24, 2005

By UPS overnight mail

Vernon A. Williams, Secretary
Surface Transportation Board
Case Control Unit, Suite 713
1925 K Street, N.W.
Washington, DC 20423-0001

FILED
JUN 27 2005
SURFACE
TRANSPORTATION BOARD

Re: STB Docket No. AB-914X, *McCloud Railway Company -- Abandonment and Discontinuance of Service Exemption -- in Siskiyou, Shasta and Modoc Counties, CA*

Dear Mr. Williams:

Enclosed please find an original and 10 copies of Petition For Exemption From 49 U.S.C. 10903, for filing with the Board in the above referenced matter.

Also enclosed is McCloud's check #4363 in the amount of \$5,200 for the filing fee and a disk containing the filing in Word Perfect and .pdf formats.

Very truly yours,

Thomas F. McFarland

Thomas F. McFarland
Attorney for McCloud
Railway Company

TMCF:kl:enc:wp8.0\1005\trstb1

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SURFACE
TRANSPORTATION BOARD

BEFORE THE
SURFACE TRANSPORTATION BOARD

McCLOUD RAILWAY COMPANY --)
ABANDONMENT AND)
DISCONTINUANCE OF SERVICE) DOCKET NO.
EXEMPTION -- IN SISKIYOU, SHASTA) AB-914X
AND MODOC COUNTIES, CA)

**PETITION FOR EXEMPTION
FROM 49 U.S.C. 10903**

McCLOUD RAILWAY COMPANY
801 Industrial Way
P.O. Box 1500
McCloud, CA 96057

Petitioner

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Attorney for Petitioner

DATE FILED: June 27, 2005

BEFORE THE
SURFACE TRANSPORTATION BOARD

McCLOUD RAILWAY COMPANY --)	
ABANDONMENT AND)	
DISCONTINUANCE OF SERVICE)	DOCKET NO.
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AND MODOC COUNTIES, CA)	
)	

**PETITION FOR EXEMPTION
FROM 49 U.S.C. 10903**

Pursuant to 49 U.S.C. § 10502(a) and 49 C.F.R. § 1152.60, McCLOUD RAILWAY COMPANY (MCR), a Class III rail carrier, hereby petitions for an exemption from 49 U.S.C. § 10903 for abandonment of specified rail lines and discontinuance of rail service pursuant to trackage rights over BNSF Railway Company ("BNSF"). The rail lines sought to be abandoned and over which trackage rights would be discontinued are as follows:

Abandonment:

- (1) between Milepost [MP] 3.3 east of McCloud, CA,^{1/} and the end of track at MP B-61 at or near Burney, CA;
- (2) between MP B-19 at or near Bartle, CA and MP B-31.4 at or near Hambone, CA;
- (3) between MP B-58 at or near Berry, CA and MP S-7 at or near Sierra, CA; and

^{1/} Petitioner's Milepost 0.0 is located at McCloud, CA. The western terminus of the proposed abandonment is approximately 3.3 miles east of McCloud. Another means of locating the western terminus of the proposed abandonment is that it is the location of the section line between Sections 33 and 34, Township 40 North, Range 2 West.

- (4) between MP B-31.6 at or near Bear Flat, CA and MP P-3.93 at or near Pondosa, CA.

Discontinuance of Trackage Rights (BNSF):^{2/}

- (1) between Hambone, CA and Lookout Junction, CA.

The rail lines to be abandoned total approximately 80 miles in Siskiyou and Shasta Counties, CA. The rail line over which trackage rights operations would be discontinued totals approximately 31.4 miles in Siskiyou and Modoc Counties, CA.

AMENDMENT OF PROPOSAL FROM THAT DESCRIBED IN THE DRAFT ENVIRONMENTAL AND HISTORIC REPORT

MCR submitted a Draft Environmental and Historic Report in this docket on March 8, 2005 in which MCR stated an intention to abandon its entire rail line. That Draft Report assessed the environmental and historic effects of abandonment and discontinuance of all MCR rail operations.

Subsequent to submission of that Draft Report, MCR has decided to retain approximately 19.6 miles of rail line between MCR's point of connection to Union Pacific Railroad Company (UP) at MP 16.3 at or near Mt. Shasta, CA and MP 3.3 east of McCloud, CA.^{3/} That 19.6 miles of rail line is excluded from this Petition for Exemption. There is no need to amend the Draft

^{2/} BNSF obtained an exemption for abandonment of the Hambone-Lookout Junction rail line in Docket No. AB-6 (Sub-No. 414X), *Burlington Northern and Santa Fe Railway Company -- Abandonment Exempt. -- in Modoc and Siskiyou Counties, CA*, decision served May 21, 2004 (not printed). However, an exemption was not sought in that proceeding for discontinuance of MCR's operation over that line pursuant to trackage rights. This filing is intended to cure that omission.

^{3/} The milepost number of the MCR-UP connection near Mt. Shasta was mistakenly stated to be 15.2 in the Draft Report.

Report or to issue a new Draft Report in light of that change because the Draft Report considered the environmental and historic effects of abandonment and discontinuance of more mileage than covered by this Petition for Abandonment.

VERIFICATION

The facts alleged in this Petition are verified by Mr. Jeff Forbis, President of MCR, who has personal knowledge thereof. Mr. Forbis's verification is attached to this Petition as Appendix 1.

JUSTIFICATION FOR USE OF EXEMPTION PROCEDURE

MCR submits that the filing of a petition for exemption is appropriate in this matter in lieu of a formal abandonment application. The petition for exemption procedure for abandonment is primarily intended to be used to expedite decisions and minimize regulatory burdens in uncontested or noncontroversial proceedings. *See, e.g., Gauley River RR, LLC -- Aband. & Discon. of Serv. -- in Webster and Nicholas Counties, WV*, 1999 STB LEXIS 345 (Docket No. AB-559 [Sub-No. 1X], decided June 16, 1999).

On the basis of discussions between representatives of MCR and the major shippers on the rail line, MCR has reason to believe that those shippers will not oppose the proposed exemption. Even if those shippers were to oppose the proposed exemption, the case for abandonment is so compelling that there is no reason to anticipate a controversial proceeding. The matter thus qualifies for exemption procedure. Support for the allegations in this paragraph appears later in this Petition.

MAPS

Pursuant to 49 C.F.R. § 1152.60(b), two maps of MCR's rail line are attached to this Petition as Appendix 2, pages 1 and 2. The map on page 1 shows the rail lines proposed for abandonment in yellow; the rail line proposed for discontinuance of trackage rights in pink; and the rail line that MCR proposed to retain in green. Page 1 also shows other rail lines in the area, i.e., the UP rail line through Mt. Shasta and the BNSF rail line through Lookout Junction. The map on page 2 shows MCR's rail lines in more detail. As can be seen from that map, MCR's main line extends generally from Mt. Shasta to Hambone and Burney, with branches to Sierra and Pondosa, and trackage rights from Hambone to Lookout Junction.

THE PROUD HISTORY OF McCLOUD RAILWAY

MCR and its predecessor, McCloud River Railroad Company, have been serving the timber, mining and agricultural industries of northeastern California for over 107 years. MCR is one of the original shortline railroads.

Attached to this Petition as Appendix 3 is a copy of an article entitled "The McCloud Railway" that appeared in a recent issue of The Short Line magazine. That article provides detail about the proud history of MCR.

The present owner of MCR is 4-Rails, Inc., which acquired the rail line and formed MCR in 1992. 4-Rails has done all in its power to continue rail operations by MCR, but recent events have combined to cause MCR to seek authority to abandon much of its rail line.

TRAFFIC DECLINE

As recounted in Appendix 3, MCR's traffic under 4-Rails, Inc. ownership peaked at over 3,000 carloads in 1996. However, traffic fell sharply after 1997. A major loss was inbound

paper traffic received from BNSF at Lookout Junction which was transloaded to truck at McCloud for delivery to printers at Reno, NV. As a result of a condition to approval of the UP-Southern Pacific merger, BNSF received trackage rights directly into Reno. BNSF diverted the paper traffic to its own rail line into Reno.

By 2000, traffic had fallen to 1,500 to 2,000 carloads per year. Recently, remaining traffic interchanged with BNSF at Lookout Junction also was lost. In late 2003, BNSF entered into a haulage agreement with UP whereby traffic formerly handled in MCR-BNSF service via Lookout Junction is now handled by UP between Mt. Shasta and Klamath Falls, OR. That led to BNSF's abandonment of its Hambone-Lookout Junction rail line in 2004, referred to previously.

In 2004, MCR handled 1,820 carloads.

SHIPPERS SERVED AND TRAFFIC LEVELS

At the present time, there are only two major shippers that are served by MCR's line: (1) Sierra Pacific and (2) Dicalite. Sierra Pacific owns and operates a sawmill near Burney, CA. Sierra Pacific ships lumber and wood chips outbound by rail. Dicalite mines and processes diatomaceous earth, which it transports approximately four miles for reloading onto railcars at Cayton Siding, CA.

Negligible rail traffic is also provided in the form of sporadic inbound shipments of sulfate, which is an antidust compound used in highway construction projects. That traffic is received by Werner Enterprises, a motor carrier, at a rail siding near Burney, CA for transloading onto trucks and transportation to highway construction sites.

There was a small volume of rail traffic from other shippers in prior years, i.e., Cal Cedar (lumber), Louisiana Pacific (woodpulp) and other miscellaneous traffic.

Set forth below is a listing of MCR's rail traffic in the past three calendar years:

SHIPPER	CARLOADS		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Sierra Pacific	1,108	1,669	1,620
Dicalite	181	195	194
Werner*	12	1	4
Cal Cedar	10	6	0
Louisiana Pacific	10	0	0
Miscellaneous**	<u>19</u>	<u>0</u>	<u>2</u>
	1,340	1,871	1,820

* Until recently, inbound sulfate was received by Burney Transportation, a motor carrier. It is now received by a different motor carrier, Werner Enterprises.

** The two miscellaneous carloads in 2004 were salvaged shipments of lumber following a derailment.

It should be emphasized that the 2004 traffic level represents a decline of over 40 percent from the 3,000-plus carload level transported by MCR as recently as 8 years ago.

PHYSICAL CONDITION OF THE RAIL LINE

The rail line proposed for abandonment is constructed mostly of 90-pound rail, with some stretches of 75-pound rail. Most of the rail line barely meets FRA Class I track safety standards. The line has approximately 4 miles of Class II track. Sierra Pacific has expressed concern about the line's longer-term track condition in the absence of significant expenditures for renewal of track materials. Because of its light-weight rail, the line is unable to accommodate 73-foot centerbeam flatcars having a capacity of 286,000 pounds of gross weight on rail. Inasmuch as

that car-type is the state of the art in rail transportation of lumber, the line lacks the ability to be competitive in lumber transportation on a long range basis.

A bridge over Lake Britton at Milepost 50.5 requires significant rehabilitation for safe operation. That bridge was constructed and decked in 1954. There has been no renewal of that bridge in the interim. MCR has performed patchwork repair of that bridge on several occasions. Now, however, the deck on that bridge requires a complete retimbering for continued safe operation. Such retimbering is estimated to cost approximately \$225,000 for labor, material and equipment.

OPERATING RESULTS

Set out below are the financial results of operating the rail line in the past three calendar years (entries are rounded):

	YEAR		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Carloads	1,340	1,871	1,820
<u>Income</u>			
Freight Revenue	\$858,000	\$1,262,000	\$1,308,000
Other Revenue *	<u>142,000</u>	<u>152,000</u>	<u>191,000</u>
Total Revenue	\$1,000,000	\$1,414,000	\$1,499,000
<u>Expenses</u>			
Payroll	\$605,000	\$610,000	\$647,000
Fuel	150,000	232,000	330,000
Health Insurance	170,000	166,000	141,000
Liability Insurance	95,000	100,000	105,000
Depreciation	61,000	113,000	51,000
Car-Hire	39,000	63,000	74,000

Other Expenses **	<u>570,000</u>	<u>588,000</u>	<u>628,000</u>
Total Expenses	\$1,690,000	\$1,872,000	\$1,976,000
Loss from Operations	(\$690,000)	(\$458,000)	(\$477,000)

* Other revenue consists of contract payments by an affiliated company, Shasta Sunset Division Train, for MCR's provision of equipment and personnel for tourist passenger train service. MCR's expenses for that service are included in the expenses shown above.

** Other expenses include locomotive repair and maintenance, work equipment, rail repair and maintenance, signal inspection and maintenance, medical and first aid, dues and subscriptions, licenses and fees, telephone, utilities, legal, travel, office supplies, postage, environmental maintenance, communications, training, shop supplies and consultation.

It can be readily seen that although traffic increased from 2002 to 2003 and 2004, so did expenses, particularly for payroll, fuel, car-hire and other expenses. Operation of the rail line has thus resulted in extensive avoidable losses in each of the past three calendar years.

MCR estimates that it would incur an avoidable operating loss of approximately \$520,000 from operating the rail line proposed for abandonment in the forecast year (12 months beginning June 1, 2005). Details regarding that operating loss are set out below:

FORECAST YEAR OPERATING RESULTS

Carloads - 1,570

Income

Freight Revenues	\$1,234,750
Passenger Revenues	0
Total Revenues	\$1,234,750

Expenses

Normalized Maintenance	\$800,000
Labor	350,000
Fuel	290,000
Insurance	80,000
Taxes	15,000
Payroll Expenses	180,000
Locomotive Maintenance	40,000
Total Expenses	\$1,755,000
Avoidable Loss	\$520,250

ECONOMIC COSTS

Although MCR has not determined the value of all of the rail line assets at this time, it is evident that continued operation of the line would cause MCR to incur economic losses of a magnitude even greater than the operating losses demonstrated above. The track materials in the line alone are estimated to have a net salvage value of approximately \$1.8 million according to a study performed before the recent increase in track materials value. Approximately 40 percent of the acreage in the right-of-way is held by MCR in marketable fee simple title. A very substantial annual profit would be necessary to provide a cost-of-capital rate of return on the high value of the land and trackage in the rail line. As shown above, operation of the rail line does not produce any profit.

ALTERNATE TRANSPORTATION

In the event of abandonment, the most efficient and economic form of alternate transportation for Sierra Pacific would be truck-rail service via transloading points on UP at Anderson, CA and on BNSF at Bieber, CA. Highway access to those points is adequate from the Sierra Pacific sawmill near Burney via California Highway 299 and Interstate Highway 5 to Anderson, and via California Highway 299 to Bieber. Sierra Pacific has already begun to ship by truck-rail via Bieber. Sierra Pacific has also acquired a transloading site for its exclusive use at Anderson, CA. Representatives of Sierra Pacific have stated to Mr. Forbis of MCR that the truck-rail alternatives identified here are adequate for its transportation needs.

Dicalite has stated that in the event of abandonment it likely would ship by truck to MCR at McCloud, and thence by rail via MCR to connection with UP at Mt. Shasta. While that would involve a longer truck haul than is required for Dicalite traffic at present, the truck-rail alternative would meet Dicalite's transportation needs much better than would all-truck transportation.

A number of rail-truck alternatives would be available for the inbound sulfate traffic, which can be unloaded onto trucks easily from most any rail track. Depending on the location of the particular highway site under consideration, the sulfate traffic could be unloaded along MCR's McCloud-Mt. Shasta trackage, along the UP line near Redding or Mt. Shasta, or along the BNSF line at or near Lookout Junction.

Based on the foregoing, the transportation alternatives available in this proceeding are logistically and economically feasible.

AN EXEMPTION FOR ABANDONMENT IS WARRANTED

Abandonment of a rail line and discontinuance of rail service require Board approval under 49 U.S.C. § 10903. However, on petition, the Board is to exempt a proposed abandonment and discontinuance from the requirement of such approval if the Board finds under 49 U.S.C. § 10502(a) that application of 49 U.S.C. § 10903 to the proposed abandonment and discontinuance is not required to carry out the rail transportation policy of 49 U.S.C. § 10101, and either that the proposed abandonment and discontinuance are of limited scope, or that application of 49 U.S.C. § 10903 to the proposed abandonment and discontinuance is not necessary to protect shippers from abuse of market power.

In regard to the first standard of 49 U.S.C. § 10502(a), the need for regulation is to be tested against the provision(s) of the rail transportation policy that is (are) implicated by the statute from which an exemption is sought. As to abandonment and discontinuance under 49 U.S.C. § 10903, the rail policy most directly implicated is 49 U.S.C. § 10101(4) in favor of continuation of a sound rail transportation system to meet the needs of the public and the national defense. The issue is whether a conventional abandonment application is required to determine whether the abandonment and discontinuance should be approved, or whether it is so apparent that continued operation of the line is not required for an adequate rail transportation system that abandonment and discontinuance can be authorized by exemption without the need for such an application.

It is evident that the case at hand fits into the latter category. It is unlikely that any current shipper on the line will oppose an exemption for abandonment. Continued operation of the line is shown to be burdensome to MCR in multiple respects. Operation of the line has resulted in

extensive avoidable losses in each of the past three years. An operating loss of more than \$500,000 is anticipated in a forecast year. An expenditure of approximately \$225,000 would be required in the near future to retimber the bridge over Lake Britton at Milepost 50.5. That expenditure could not be recovered from rail line net operating income. Significant, but as yet unquantified, economic losses would also be suffered as a result of continued operation. In contrast, logistically and economically feasible transportation alternatives have been shown to be available to shippers on the line in the event of abandonment. In view of the totality of those circumstances, the filing of a formal abandonment application would not be required to enable the Board to find that abandonment of the line is permitted by public convenience and necessity. That being the case, the Board should grant the exemption that is sought for abandonment and discontinuance of service.

An application under § 10903 is not required to consider protection of shippers on the line from abuse of market power. As shown in this Petition, Sierra Pacific and Dicalite have transportation alternatives that are logistically and economically feasible.

DRAFT FEDERAL REGISTER NOTICE

Pursuant to 49 C.F.R. § 1152.60(c), there is attached to this Petition as Appendix 4 a draft Federal Register notice in the form required by that regulation.

ENVIRONMENTAL AND HISTORIC CONSIDERATIONS

Attached to this Petition as Appendix 5 is a Draft Environmental and Historic Report. On March 8, 2005, MCR mailed copies of that Report to Federal, State and County agencies entitled to receive such Report under Board regulations. The Report reflects MCR's view that the proposed abandonment and discontinuance would not have a significant adverse effect on the

quality of the human environment, nor on the preservation of historic resources. The Report alerted those agencies of their opportunity to file comments in regard to the content of the Report. As noted earlier, the Draft Report covers abandonment of MCR's entire rail line, which encompasses all track mileage now proposed to be abandoned.

EMPLOYEE PROTECTION

The Board should impose the customary employee protective conditions imposed in rail abandonment cases, i.e., those imposed in *Oregon Short Line R. Co. - Abandonment - Goshen*, 360 I.C.C. 91, 98-103 (1979).

FEDERALLY-GRANTED RIGHT-OF-WAY

Based on information available to MCR, it does not appear that the rail line contains federally-granted right-of-way. See 49 C.F.R. § 1152.60(d). Any documentation in MCR's possession will be made available promptly to those requesting it.

NEWSPAPER NOTICE

Attached as Appendix 6 are copies of proof of publication of notice of the proposed exemption in newspapers of general circulation in each County in which a portion of the involved rail line is located.

CONCLUSION AND REQUESTED RELIEF

WHEREFORE, the Board should grant an exemption for the proposed abandonment and discontinuance of service.

Respectfully submitted,

McCLOUD RAILWAY COMPANY
801 Industrial Way
P.O. Box 1500
McCloud, CA 96057

Petitioner

THOMAS F. McFARLAND
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Attorney for Petitioner

DATE FILED: June 27, 2005

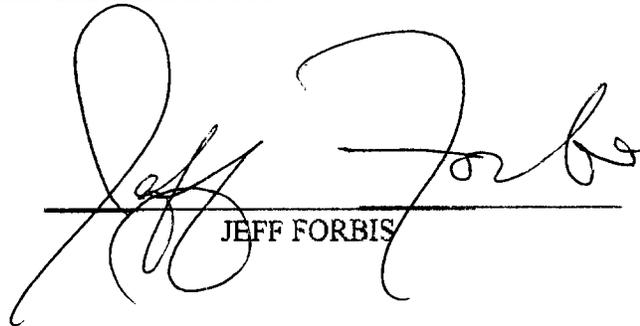
Docket No. AB-914X

APPENDIX 1

STATE OF CALIFORNIA)
)
COUNTY OF SISKIYOU)

VERIFICATION

JEFF FORBIS, being duly sworn, states that he is President of McCloud Railway Company; that he has personal knowledge of the facts asserted in the foregoing Petition for Exemption from 49 U.S.C. § 10903; and that those facts are true as stated.



JEFF FORBIS

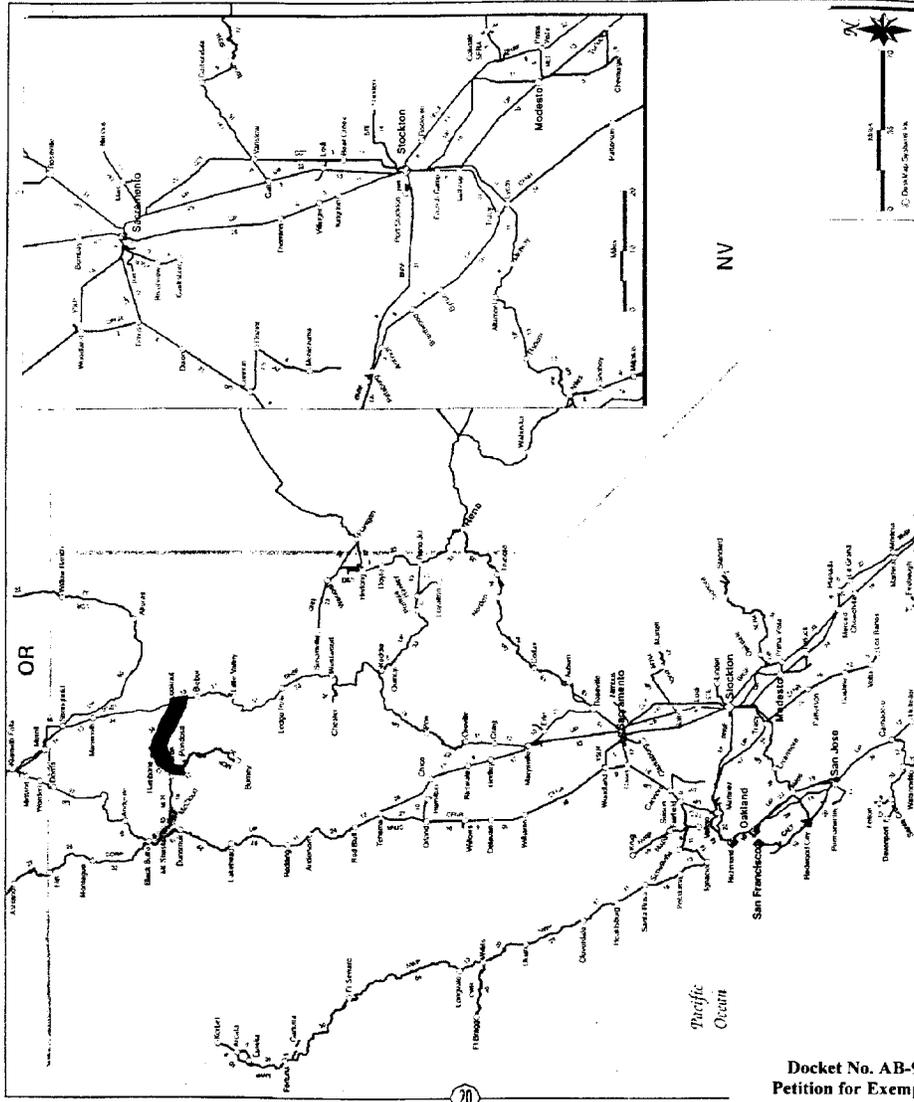
SUBSCRIBED and SWORN
to before me this 24th
day of May, 2005.



Notary Public



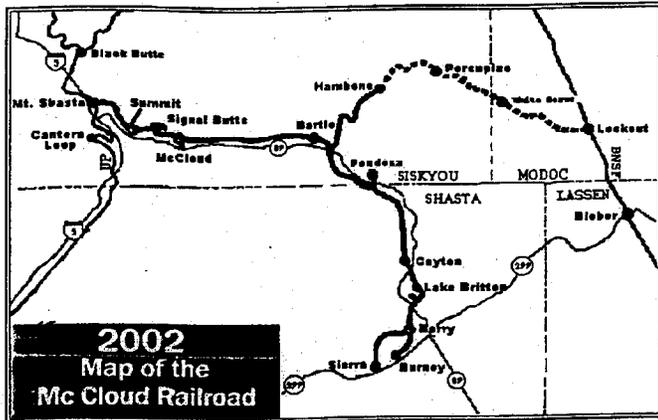
CALIFORNIA · Sacramento, Stockton



Docket No. AB-914X
Petition for Exemption

APPENDIX 2 (Pg 1 of 2)

Map of the McCloud Railroad



Docket No. AB-914X
Petition for Exemption

APPENDIX 2 (Pg 2 of 2)

THE McCLOUD RAILWAY

CONTRIBUTED BY JEFF MOORE



The McCloud Railway Company and its predecessor company, the McCloud River Railroad Company, have been servicing the timber, mining and agricultural industries of northeastern California for over 107 years. The railroad continues to haul freight today, although passenger operations are becoming increasingly important to the company.

The McCloud River Railroad Company was incorporated on January 21, 1897 to take over construction and operation of a railroad started the year before. The new railroad connected with the Southern Pacific at Upton, California, and its intended destination was the new sawmill community of Vandale, where the newly formed McCloud River Lumber Company was building a huge sawmill and a company

town to support it. The railroad was completed into Vandale in July 1897, and service started on August 1. The railroad crossed a 1000-foot high spur of Mt. Shasta on a route that contained two switchbacks and many sections of 4% grades. Vandale was renamed McCloud shortly after the arrival of the railroad.

Although established as a common carrier, the McCloud River

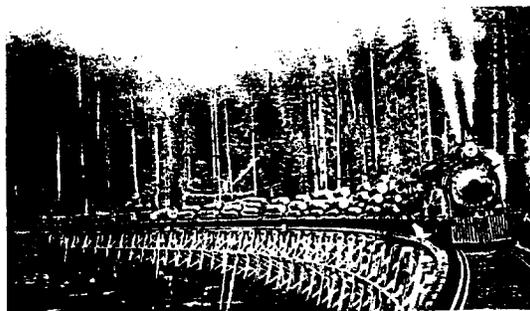
existed to serve the lumber company. The lumber company controlled the railroad until 1914, when the railroad was made independent. However, the two companies remained closely related through the years. The lumber company built many hundreds of miles of logging railroad tributary to the common carrier through the years.

The railhead remained in McCloud for only a year, as construction eastward commenced in 1898. The first extension to a sawmill purchased by the lumber company was completed in 1899, and a second extension to the small ranching community of Bartle was completed in 1905. The railroad then turned north, a move seen by many as the start of a new line to Klamath Falls, Oregon. However, construction stopped at McGavic, 15 miles beyond Bartle.

A line change eliminated one of the two switchbacks west of McCloud in 1902, and another line change in 1907 changed the western terminus of the road from Upton to Sisson (now Mt. Shasta City). The other switchback at Signal Butte remains in operation to this day as one of the last switchbacks still in service in the United States.

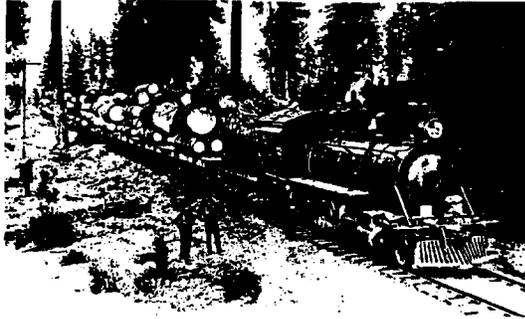
The railroad continued to expand eastward following lumber company logging operations. The eastern terminus of the common carrier was

(Continued on page 4)



Above Right: #38 and #25 in front of the McCloud shop building. Photograph by George Landrock.

Bottom #8 with a log train on a trestle just east of Bartle. Unknown photographer, from the author's collection.



Left: #9 with a log train. Unknown location and unknown photographer, from the author's collection.

Bottom Right: #15 with a log train, near Black Fox Mountain. Unknown photographer. Jeff Moore collection.



(Continued from page 3)

eventually established at a point simply known as Car A, eight miles northeast of Bartle. From 1919-1928 lumber company operations moved south and east from there, and by 1928 the end of track on the logging railroad extended over 40 miles beyond Car A. The railroad was extended from Car A south to the new logging camp of Pondosa in 1927 over trackage rights on the lumber company railroad.

Through most of this era operations on the railroad were simple, consisting of logs hauled into McCloud and finished lumber handled from there to the Southern Pacific in Mt. Shasta City. Passenger service from Mt. Shasta City to Bartle was offered until replaced by a subsidiary bus line in 1927. By 1929, the eastern extension of the lumber company logging railroad was within a mile or two of the new Great Northern line being built south from Klamath Falls. In 1931, the lumber company sold its logging railroad between Hambone and the end of track to the GN, and the McCloud River Railroad picked up the trackage between Car A and Hambone. The GN built a short

extension to tie the line into their mainline at Lookout Junction. GN hired the McCloud River to operate the Hambone-Lookout segment, and by 1931 the shortline was handling lumber eastbound from McCloud to the new GN connection.

With the exception of a few minor line changes, including a new line into Pondosa, and the conversion from steam to diesel power the railroad remained stable for the next twenty years. In the early 1950's the lumber company purchased the harvesting rights to 80,000 acres of prime timber located in the Burney basin, 65 miles southeast of McCloud. The lumber company decided that rail was the cheapest method of getting that timber to McCloud, and in 1954 the lumber company loaned a total of \$1.6 million to the railroad to finance the extension of the common carrier to Burney. The lumber company already had a logging railroad that extended from Bartle to Ditch Creek, which was sold to the railroad. Beyond Ditch Creek the railroad built a new line, reaching Burney in mid-1955. Burney was home to several

independent sawmills, and several spurs were built to reach them. The railroad during this period was handling roughly 6,000 loads of logs to McCloud and 5,500 loads of finished lumber to the two interchanges per year.

U.S. Plywood Corporation purchased both of the McCloud companies in 1964. The new owners brought many changes to the property, the most significant of which were the immediate end of log hauling by rail and the end of the company town era. The railroad continued to remain healthy on the finished forest products traffic generated by the seven sawmills and one lumber reload served by the company. U.S. Plywood was merged into U.S. Plywood-Champion Papers Inc., which later went on to become a part of Champion International Corp. The McCloud River was one of several shortlines owned by Champion International, and the parent company was not averse to using the McCloud River corporate structure elsewhere. A switching operation at a Champion-International paper mill in Samoa,

(Continued on page 5)



Left: McCloud's #38 leading the train. Photograph by George Landrock.

Above: Train runs through Lookout Junction. Photograph by Sean Zwagerman.

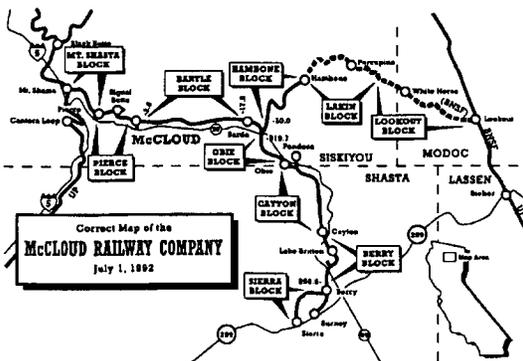
(Continued from page 3)
 soon as possible. The 70,000 railcars owned by the company (including approximately 2,000 on the McCloud River roster) were sold to a subsidiary of GE capital. Buyers were quickly found for the other IteI properties, but the for sale sign placed on the McCloud did not generate much excitement. The one person seriously interested in the road was Jeff Forbis, who had been appointed president of the company by IteI in 1988. Mr. Forbis and his family formed 4-Rails Inc., and in late March of 1992 they struck an agreement with IteI to purchase the road. The new owners took over on July 1, 1992. A new company, the McCloud Railway Company, was formed to take over the operations of the road.

Freight traffic on the railroad peaked at over 3,000 loads a year by 1996. SPI remained the largest shipper on the road, with inbound paper to the reload and outbound diatomaceous earth rounding out the traffic picture. Seasonal agricultural movements in the form of wheat and sugar beets from the Burney area were handled for a few years in the mid-1990's. However,

freight traffic levels fell sharply after 1997. The biggest loss was the paper traffic, which went to an all-Burlington Northern Santa Fe routing after that company received trackage rights directly into Reno as a condition of the UP-SP merger. By 2000, carloads were back down to only 1500-2000 per year. At present only two steady shippers remain on the railroad, the SPI sawmill at the end of the Sierra branch and the Dicalite Corp. reload at Cayton.

As the freight business fell off, the passenger business returned. The first excursion under the new ownership occurred in 1994 when Trains Unlimited Tours brought one of the road's former steam locomotives back from the neighboring Yreka Western for a weekend's worth of excursions. By the following year the company was in the passenger business for itself. Seven heavyweight passenger coaches were purchased at auction, and three

(Continued on page 7)





Left: McCloud's #38 leading the train. Photograph by George Landrock.

Above: Train runs through Lookout Junction. Photograph by Sean Zwagerman.

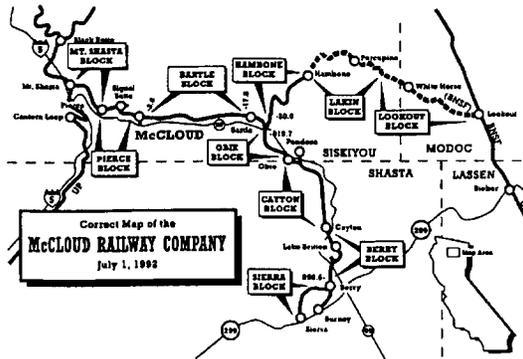
(Continued from page 5)
 soon as possible. The 70,000 railcars owned by the company (including approximately 2,000 on the McCloud River roster) were sold to a subsidiary of GE capital. Buyers were quickly found for the other IteI properties, but the for sale sign placed on the McCloud did not generate much excitement. The one person seriously interested in the road was Jeff Forbis, who had been appointed president of the company by IteI in 1988. Mr. Forbis and his family formed 4-Rails Inc., and in late March of 1992 they struck an agreement with IteI to purchase the road. The new owners took over on July 1, 1992. A new company, the McCloud Railway Company, was formed to take over the operations of the road.

Freight traffic on the railroad peaked at over 3,000 loads a year by 1996. SPI remained the largest shipper on the road, with inbound paper to the reload and outbound diatomaceous earth rounding out the traffic picture. Seasonal agricultural movements in the form of wheat and sugar beets from the Burney area were handled for a few years in the mid-1990's. However,

freight traffic levels fell sharply after 1997. The biggest loss was the paper traffic, which went to an all-Burlington Northern Santa Fe routing after that company received trackage rights directly into Reno as a condition of the UP-SP merger. By 2000, carloads were back down to only 1500-2000 per year. At present only two steady shippers remain on the railroad, the SPI sawmill at the end of the Sierra branch and the Dicalite Corp. reload at Cayton.

As the freight business fell off, the passenger business returned. The first excursion under the new ownership occurred in 1994 when Trains Unlimited Tours brought one of the road's former steam locomotives back from the neighboring Yreka Western for a weekend's worth of excursions. By the following year the company was in the passenger business for itself. Seven heavyweight passenger coaches were purchased at auction, and three

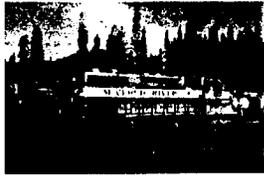
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former maintenance-of-way flatcars were re-built for the excursion service. The Forbis family launched the Shasta Sunset Dinner Train in the fall of 1995, and within a year four of the heavyweights were in service and seven more coaches had been obtained from various sources to fill out the excursion fleet. Steam power returned to the roster in 1995, with that locomotive back in operation by the fall of 1997. A second steam locomotive originally from the McCloud River was re-purchased in 1998, and it returned to service in February of 2001. The dinner train has become a year round operation on Saturday nights, with Thursday and Friday runs as well as regular excursion trains and various specials added during the summer months.

Current freight operations on the road sees trains operating to Burney from twice a week to daily, depending on the shipping needs of the SPI sawmill. Corresponding runs to Mt. Shasta City are made after each Burney trip to deliver loads to and obtain empties from the Union Pacific.



Above: Photograph by George Landrock.
Right: #25 with a charter photo freight near Swobe. Photograph taken in the spring of 1997. Photograph by Alicia Moore.



Above: Lookout train west bound at Bartle track. Photograph by Sean Zwagerman.

Service on the Lookout line dropped to once a week or less after the paper traffic was diverted away from the McCloud, and in late 2003 BNSF struck a haulage agreement with Union Pacific that will see McCloud-BNSF interchange traffic handled by the UP between Mt. Shasta City and Klamath Falls. This action allowed BNSF to abandon their portion of the Lookout line, and the last train to Lookout ran on December 16, 2003.

The railroad celebrated 100 years of existence in 1997 and 10 years as an independent company in 2002, and as long as freight shipments from SPI remain strong the railroad has a reasonably secure future.

For more information about the Shasta Sunset Dinner Train please visit <http://www.shastasunset.com>. The author of this article also maintains a website about the McCloud Railway at <http://www.trainweb.org/mccloudrails>.



DRAFT FEDERAL REGISTER NOTICE PER 49 C.F.R. 1152.60(c)

**STB No. AB-914X, McCloud Railway Company -- Abandonment and
Discontinuance of Service Exemption -- in Siskiyou, Shasta and Modoc
Counties, CA**

Notice of Petition for Exemption to Abandon and Discontinue Service

On June 27, 2005, McCLOUD RAILWAY COMPANY (MCR) filed with the Surface Transportation Board, Washington, DC, a Petition for Exemption from 49 U.S.C. 10903 for abandonment of specified rail lines and discontinuance of rail service pursuant to trackage rights over BNSF Railway Company (BNSF). The rail lines sought to be abandoned and over which trackage rights would be discontinued are as follows:

Abandonment:

- (1) between Milepost [MP] 3.3 east of McCloud, CA, and the end of track at MP B-61 at or near Burney, CA;
- (2) between MP B-19 at or near Bartle, CA and MP B-31.4 at or near Hambone, CA;
- (3) between MP B-58 at or near Berry, CA and MP S-7 at or near Sierra, CA; and
- (4) between MP B-31.6 at or near Bear Flat, CA and MP P-3.93 at or near Pondosa, CA.

Discontinuance:

- (1) between Hambone, CA and Lookout Junction, CA.

The rail lines to be abandoned total approximately 80 miles in Siskiyou and Shasta Counties, Ca. The rail line over which trackage rights operations would be discontinued totals approximately 31.4 miles in Siskiyou and Modoc Counties, CA. Stations on the rail line are located at points having the following USPS ZIP code: 96013 (Burney).

The rail line does not contain federally granted rights-of-way. Any documentation in the railroad's possession will be made available promptly to those requesting it.

The interest of railroad employees would be protected by imposition of conditions to approval of abandonment imposed in *Oregon Short Line R. Co. - Abandonment - Goshen*, 360 I.C.C. 91 (1979).

**Docket No. AB-914X
Petition for Exemption**

APPENDIX 4 (Pg 1 of 2)

Any offer of financial assistance will be due no later than 10 days after service of a decision granting the petition for exemption.

All interested persons should be aware that following abandonment of rail service and salvage of the line, the line may be suitable for other public use, including interim trail use.

Any request for a public use condition and any request for trail use/rail banking will be due no later than 20 days after notice of the filing of the petition for exemption is published in the Federal Register.

Persons seeking further information concerning abandonment procedures may contact the Surface Transportation Board or refer to the full abandonment or discontinuance regulations at 49 C.F.R. part 1152. Questions concerning environmental issues may be directed to the Board's Section of Environmental Analysis.

An environmental assessment (EA) (or environmental impact statement (EIS), if necessary) prepared by the Section of Environmental Analysis will be served upon all parties of record and upon any agencies or other persons who commented during its preparation. Any other persons who would like to obtain a copy of the EA (or EIS) may contact the Section of Environmental Analysis. EAs in these abandonment proceedings normally will be made available within 60 days of the filing of the petition. The deadline for submission of comments on the EA will generally be within 30 days of its service.

Docket No. AB-914X

Petition For Exemption

APPENDIX 5
(Draft Environmental & Historic Report)

BEFORE THE
SURFACE TRANSPORTATION BOARD

McCLOUD RAILWAY COMPANY --)
ABANDONMENT AND)
DISCONTINUANCE OF SERVICE) DOCKET NO. AB-914X
EXEMPTION -- ENTIRE RAIL LINE IN)
SISKIYOU, SHASTA AND MODOC)
COUNTIES, CA)

DRAFT ENVIRONMENTAL AND HISTORIC REPORT

McCLOUD RAILWAY COMPANY
801 Industrial Way
P.O. Box 1500
McCloud, CA 96057

Petitioner

THOMAS F. McFARLAND
THOMAS F. McFARLAND, P.C.
208 South LaSalle Street, Suite 1890
Chicago, IL 60604-1112
(312) 236-0204

Attorney for Petitioner

DATED: March 8, 2005

BEFORE THE
SURFACE TRANSPORTATION BOARD

McCLOUD RAILWAY COMPANY --)
ABANDONMENT AND)
DISCONTINUANCE OF SERVICE) DOCKET NO. AB-914X
EXEMPTION -- ENTIRE RAIL LINE IN)
SISKIYOU, SHASTA AND MODOC)
COUNTIES, CA)

DRAFT ENVIRONMENTAL AND HISTORIC REPORT

Pursuant to 49 C.F.R. § 1105.7 and § 1105.8, McCLOUD RAILWAY COMPANY (MCR) hereby files this Draft Environmental and Historic Report (Report). This Report constitutes MCR's assessment of the environmental effects of abandonment of its rail line and the effect of that abandonment on historic properties. Persons who review this Report are entitled to provide comments to the Surface Transportation Board, Section of Environmental Analysis, 1925 K Street, N.W., Suite 500, Washington, DC 20423. There is no information in the files of MCR to indicate that the rail line covered by this Report contains federally granted right-of-way. See 49 C.F.R. § 1152.60(d). This Report has been prepared in conjunction with the prospective filing of a Petition for Exemption of abandonment of MCR's entire rail line. That Petition will be filed not sooner than 20 days after the date of this Report.

I.

DRAFT ENVIRONMENTAL REPORT

MCR hereby submits the following information required by 49 C.F.R. § 1105.7(e):

(1) Proposed action and alternatives. Describe the proposed action, including commodities transported, the planned disposition (if any) of any rail line and other structures

that may be involved, and any possible changes in current operations or maintenance practices. Also describe any reasonable alternatives to the proposed action. Include a readable, detailed map and drawings clearly delineating the project.

The proposed action is abandonment of MCR's entire rail line. MCR's rail line extends from a point of connection with Union Pacific Railroad Company (UP) at Mt. Shasta, CA (Milepost [MP] M-15.2) to Burney, CA (MP B-61); from Bartle, CA (MP B-19) to Hambone, CA (MP 31.4); from Berry, CA (MP B-58) to Sierra, CA (MP S-7); and from Bear Flat, CA (MP B-31.6) to Pondosa, CA (MP P-3.93), a total distance of approximately 100 miles in Siskiyou and Shasta Counties, CA. MCR also has trackage rights over a rail line of Burlington Northern & Santa Fe Railway Company (BNSF) from Hambone, CA (MP 31.4) to Lookout, CA (MP 0.0), a distance of approximately 31.4 miles in Siskiyou and Modoc Counties, CA.^{1/} MCR's rail line is depicted on maps that are attached to this Report as Appendices 1.^{2/}

The rail line proposed for abandonment has been used primarily for the transportation of forest products and diatomaceous earth. If an exemption for abandonment were to be granted, a 15-mile segment of the line between Mt. Shasta and McCloud, CA would be reclassified as industrial track and would be used for rail transportation. The remainder of the track materials in the line would be sold for reuse or scrap. The remainder of the land in the right-of-way to which MCR has marketable title would probably be sold for nonrail use. However, there is a potential

^{1/} An exemption was issued for abandonment of the Hambone-Lookout rail line by BNSF in Docket No. AB-6 (Sub-No. 414X), *The Burlington Northern and Santa Fe Railway Company -- Abandonment Exemption -- in Modoc and Siskiyou Counties, CA*, decision served May 21, 2004 (not printed), but the exemption did not encompass MCR's trackage rights over that rail line.

^{2/} The map attached as Appendix 1, page 1, marked as a 2002 map, accurately reflects MCR's line at present. The map attached as Appendix 1, page 2, shows MCR's rail line in relation to other rail lines in the area.

for railbanking and interim recreational trail use of all or part of the rail line right-of-way after removal of the track materials. In the event of abandonment, current rail operations and maintenance of the rail line would cease.

In MCR's view, there are no reasonable alternatives to abandonment of the rail line. Rail operations are being conducted at a significant operating and economic loss. MCR has not been able to obtain an increased share of the revenues on traffic transported to or from the rail line. Shippers on the line would divert rail traffic to transportation by truck if MCR were to increase the current surcharge on its share of the through freight rates. There are no reasonable means by which MCR can reduce operating costs. Abandonment is thus required in order to avoid harmful losses. In addition, abandonment is required in order to avoid a significant expenditure for rehabilitation of a bridge which otherwise would be necessary.

(2) Transportation system. Describe the effects of the proposed action on regional or local transportation systems and patterns. Estimate the amount of traffic (passenger or freight) that will be diverted to other transportation systems or modes as a result of the proposed action.

MCR believes that the proposed abandonment will have a minimal effect on regional and local transportation systems and patterns. Commodities currently being transported by rail to or from points on the rail line proposed for abandonment can be transported efficiently by truck over good, all-weather highways, i.e., California Highway 89 to Interstate Highway 5 near Mt. Shasta, and/or California Highway 299 to Interstate Highway 5 at Redding, CA. Alternatively, such commodities can be transloaded from truck to rail at Redding (UP) or at Bieber, CA (BNSF). The current rail traffic volume (1,820 carloads in 2004) will not add appreciably to truck traffic volume on local highways because such is spread fairly evenly throughout the year. (It is not seasonal).

(3) Land use. (i) Based on consultation with local and/or regional planning agencies and/or a review of the official planning documents prepared by such agencies, state whether the proposed action is consistent with existing land use plans. Describe any inconsistencies.

MCR believes that the proposed abandonment will not be inconsistent with local or regional land use plans. In light of BNSF's abandonment of its Hambone-Lookout, CA rail line last May (*see note 1, supra*), rail transportation over that line has already ceased. Discontinuance of rail service pursuant to cancellation of MCR's trackage rights over that line will not have any additional effect on land use in that area. Land use plans in other areas of MCR's rail line are not likely to be seriously affected by the proposed rail abandonment. In accordance with the requirements of this regulation, MCR is consulting by letter with land-use planning agencies for Siskiyou, Shasta and Modoc Counties, CA. Copies of letters to those agencies are attached to this Report as Appendix 2.

(ii) Based on consultation with the U.S. Soil Conservation Service, state the effect of the proposed action on any prime agricultural land.

MCR does not believe that the proposed abandonment and discontinuance will have any effect on prime agricultural land. The rail line has traditionally served the forest products industry. The rail line is not located adjacent to significant areas of prime agricultural land. Removal of trackage from the rail line thus should not have an adverse effect on prime agricultural land. In accordance with this regulation, MCR is consulting by letter with the Natural Resource Conservation Service, formerly known as the U.S. Soil Conservation Service (Appendix 3). Any response to that letter will be furnished to SEA.

(iii) If the action affects land or water uses within a designated coastal zone, include the coastal zone information required by Sec. 1105.9.

Not applicable. The rail line is not located in a designated coastal zone.

(iv) If the proposed action is an abandonment, state whether or not the right-of-way is suitable for alternative public use under 49 U.S.C. 10905 and explain why.

The rail line may be suitable for alternative public use as a recreational trail because of the assembled nature of the right-of-way corridor. It is doubtful that the rail line would be suitable for highway use in light of existing highways and roads in the area.

(4) Energy. (i) Describe the effect of the proposed action on transportation of energy resources.

The proposed action will have no effect on transportation of energy resources.

(ii) Describe the effect of the proposed action on recyclable commodities.

The proposed action will have no effect on recyclable commodities.

(iii) State whether the proposed action will result in an increase or decrease in overall energy efficiency and explain why.

The proposed action is likely to result in a modest decrease in overall energy efficiency inasmuch as transportation by truck or truck-rail is not as energy efficient as transportation by rail.

(iv) If the proposed action will cause diversions from rail to motor carriage of more than: (A) 1,000 rail carloads a year; or (B) An average of 50 rail carloads per mile per year for any part of the affected line, quantify the resulting net change in energy consumption and show the data and methodology used to arrive at the figure given. To minimize the production of repetitive data, the information on overall energy efficiency in Sec. 1105.7(e)(4)(iii) need not be supplied if the more detailed information in Sec. 1105.7(e)(4)(iv) is required.

Not applicable. Rail traffic will either be retained over the industrial track between Mt. Shasta or McCloud, or it will move relatively short distances by truck to rail transloading points.

(5) Air. (i) If the proposed action will result in either: (A) An increase in rail traffic of at least 100 percent (measured in gross ton miles annually) or an increase of at least eight trains a day on any segment of rail line affected by the proposal, or (B) An increase in rail yard activity of at least 100 percent (measured by carload activity), or (C) An average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on any affected road

segment, quantify the anticipated effect on air emissions. For a proposal under 49 U.S.C. 10901 (or 10505) to construct a new line or reinstitute service over a previously abandoned line, only the eight train a day provision in subsection (5)(i)(A) will apply. (ii) If the proposed action affects a class I or nonattainment area under the Clean Air Act, and will result in either: (A) An increase in rail traffic of at least 50 percent (measured in gross ton miles annually) or an increase of at least three trains a day on any segment of rail line, (B) An increase in rail yard activity of at least 20 percent (measured by carload activity), or (C) An average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on a given road segment, then state whether any expected increased emissions are within the parameters established by the State Implementation Plan. However, for a rail construction under 49 U.S.C. 10901 (or 49 U.S.C. 10505), or a case involving the reinstatement of service over a previously abandoned line, only the three train a day threshold in this item shall apply. (iii) If transportation of ozone depleting materials (such as nitrogen oxide and freon) is contemplated, identify: the materials and quantity; the frequency of service; safety practices (including any speed restrictions); the applicant's safety record (to the extent available) on derailments, accidents and spills; contingency plans to deal with accidental spills; and the likelihood of an accidental release of ozone depleting materials in the event of a collision or derailment.

Not applicable.

(6) Noise. If any of the thresholds identified in item (5)(i) of this section are surpassed, state whether the proposed action will cause: (i) An incremental increase in noise levels of three decibels Ldn or more; or (ii) An increase to a noise level of 65 decibels Ldn or greater. If so, identify sensitive receptors (e.g., schools, libraries, hospitals, residences, retirement communities, and nursing homes) in the project area, and quantify the noise increase for these receptors if the thresholds are surpassed.

Not applicable.

(7) Safety. (i) Describe any effects of the proposed action on public health and safety (including vehicle delay time at railroad grade crossings).

The proposed action will have a beneficial effect on public health and safety because abandonment will result in the elimination of numerous public rail-highway crossings along the rail line, at which there exists potential for collisions.

(ii) If hazardous materials are expected to be transported, identify: the materials and quantity; the frequency of service; whether chemicals are being transported that, if mixed, could react to form more hazardous compounds; safety practices (including any speed restrictions); the applicant's safety record (to the extent available) on derailments, accidents and hazardous spills; the contingency plans to deal with accidental spills; and the likelihood of an accidental release of hazardous materials. (iii) If there are any

known hazardous waste sites or sites where there have been known hazardous materials spills on the right-of-way, identify the location of those sites and the types of hazardous materials involved.

Not applicable.

(8) Biological resources. (i) Based on consultation with the U.S. Fish and Wildlife Service, state whether the proposed action is likely to adversely affect endangered or threatened species or areas designated as a critical habitat, and if so, describe the effects.

MCR does not believe that it is likely that the proposed action would adversely affect endangered or threatened species or areas designated as critical habitat. In accordance with this regulation, MCR is consulting by letter with the U.S. Fish and Wildlife Service (Appendix 4).

(ii) State whether wildlife sanctuaries or refuges, National or State parks or forests will be affected, and describe any effects.

MCR does not believe that the proposed exemption would affect wildlife sanctuaries or refuges, nor National or State parks or forests. The rail line is located in close proximity to the Shasta-Trinity National Forest. Elimination of the rail line should have no effect on that Forest.

(9) Water. (i) Based on consultation with State water quality officials, state whether the proposed action is consistent with applicable Federal, State or local water quality standards. Describe any inconsistencies.

MCR believes that the proposed exemption will be consistent with applicable Federal, State or local water quality standards. In accordance with this regulation, MCR is consulting by letter with California water quality officials (Appendix 5). Any response to that letter will be furnished to SEA.

(ii) Based on consultation with the U.S. Army Corps of Engineers, state whether permits under section 404 of the Clean Water Act (33 U.S.C. 1344) are required for the proposed action and whether any designated wetlands or 100-year flood plains will be affected. Describe the effects.

MCR believes that permits under section 404 of the Clean Water Act are not required for the proposed exemption. MCR does not believe that the proposed action will affect any designated wetlands or 100-year flood plains. In accordance with this regulation, MCR is consulting by letter with the U.S. Army Corps of Engineers (Appendix 6). Any response to that letter will be furnished to SEA.

(iii) State whether permits under section 402 of the Clean Water Act (33 U.S.C. 1342) are required for the proposed action. (Applicants should contact the U.S. Environmental Protection Agency or the state environmental protection or equivalent agency if they are unsure whether such permits are required.)

MCR believes that permits under section 402 of the Clean Water Act are not required for the proposed action. In accordance with this regulation, MCR is consulting by letter with the U.S. Environmental Protection Agency (Appendix 7). Any response to that letter will be furnished to SEA.

(10) Proposed Mitigation. Describe any actions that are proposed to mitigate adverse environmental impacts, indicating why the proposed mitigation is appropriate.

Not applicable.

II.

HISTORIC REPORT

MCR hereby submits the following information required by 49 C.F.R. § 1105.8(d):

(1) A U.S.G.S. topographic map (or an alternate map drawn to scale and sufficiently detailed to show buildings and other structures in the vicinity of the proposed action) showing the location of the proposed action, and the locations and approximate dimensions of railroad structures that are 50 years old or older and are part of the proposed action;

The required maps are attached to this Report as Appendix 8.

(2) A written description of the right-of-way (including approximate widths, to the extent known), and the topography and urban and/or rural characteristics of the surrounding area;

The right-of-way to be abandoned is primarily 100 feet wide. The line is approximately 100 miles in length. It extends through a forested area for about one-third of its length. The rail line passes through several small towns: Mt. Shasta (population 3,621); McCloud (population 1,343); and Burney (population 3,217). The remaining area is rural.

(3) Good quality photographs (actual photographic prints, not photocopies) of railroad structures on the property that are 50 years old or older and of the immediately surrounding area;

Attached to this Report as Appendix 9 are photographs of the bridges on the rail line that are 50 years old or older.

(4) The date(s) of construction of the structure(s), and the date(s) and extent of any major alterations, to the extent such information is known;

The dates of construction of the bridges pictured in Appendix 9 are not known, but all are thought to be at least 50 years old.

(5) A brief narrative history of carrier operations in the area, and an explanation of what, if any, changes are contemplated as a result of the proposed action;

The line proposed to be abandoned was originally constructed as the McCloud River Railroad Company between 1897 and 1927, and at later times. Attached to this Report as Appendix 10 is a copy of an article from the July, 2004 issue of *The Short Line* in which the history of MCR is described.

(6) A brief summary of documents in the carrier's possession, such as engineering drawings, that might be useful in documenting a structure that is found to be historic;

No such documents are in MCR's possession.

(7) An opinion (based on readily available information in the railroad's possession) as to whether the site and/or structures meet the criteria for listing on the National Register of Historic Places (36 CFR 60.4), and whether there is a likelihood of archeological resources or any other previously unknown historic properties in the project area, and the basis for these

opinions (including any consultations with the State Historic Preservation Office, local historical societies or universities);

It is the opinion of MCR that the bridges pictured in Appendix 9 do not meet the criteria for listing on the National Register of Historical Places, and that there is no likelihood of archeological resources or any other previously unknown historic properties in the project area. In accordance with this regulation, MCR is consulting by letter with the California Historic Preservation Office (Appendix 11). Any response to that letter will be furnished to SEA.

(8) A description (based on readily available information in the railroad's possession) of any known prior subsurface ground disturbance or fill, environmental conditions (naturally occurring or manmade) that might affect the archeological recovery of resources (such as swampy conditions or the presence of toxic wastes), and the surrounding terrain.

MCR has no knowledge of any prior sub-surface ground disturbance or fill, or environmental conditions that might affect the archeological recovery of resources and the surrounding terrain.

Respectfully submitted,

McCLOUD RAILWAY COMPANY
801 Industrial Way
P.O. Box 1500
McCloud, CA 96057

Petitioner

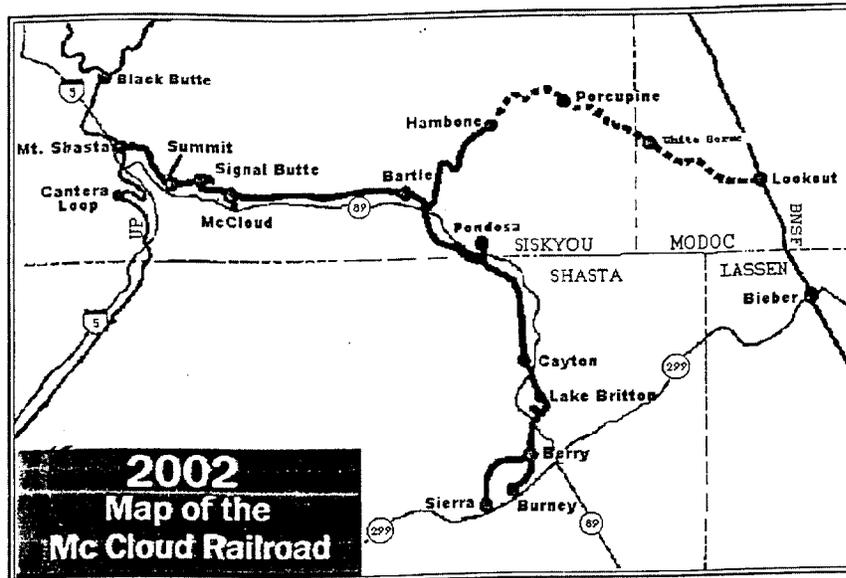
Thomas F. McFarland

THOMAS F. McFARLAND
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(312) 236-0204

DATED: March 8, 2005

Attorney for Petitioner

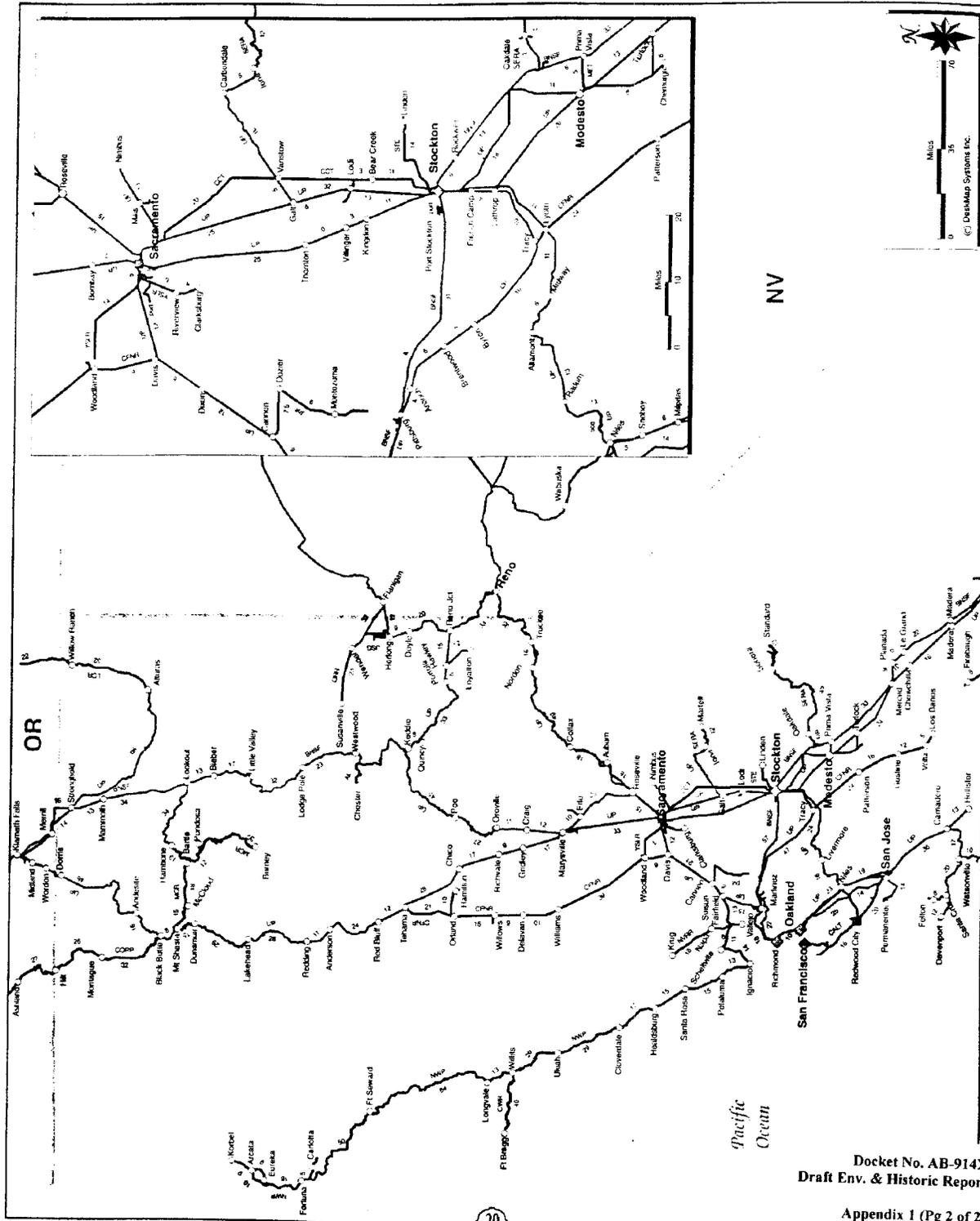
Map of the McCloud Railroad



Docket No. AB-914X
Draft Env. & Historic Report

Appendix 1 (Pg 1 of 2)

CALIFORNIA • Sacramento, Stockton



Docket No. AB-914X
Draft Env. & Historic Report

Appendix 1 (Pg 2 of 2)

LAW OFFICE
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FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. McFARLAND

March 8, 2005

Siskiyou County Planning Department
P.O. Box 1085
Yreka, CA 96097

Modoc County Administrative Services
114 East North Street
Alturas, CA 96101

Mr. H. Douglas Latimer
County Administrator
Shasta County
1815 Yuba Street, Suite 1
Redding, CA 96001

Re: STB Docket No. AB-914X, *McCloud Railway Company -- Abandonment and Discontinuance of Service Exemption -- Entire Rail Line in Siskiyou, Shasta and Modoc Counties, CA*

Dear County Representative:

On or about March 31, 2005, I expect to file a petition with the Surface Transportation Board (STB) in behalf of McCloud Railway Company (MCR) for an exemption for abandonment of its entire rail line. MCR's rail line consists of the following segments: from a point of connection with Union Pacific Railroad Company (UP) at Mt. Shasta, CA (Milepost [MP] M-15.2) to Burney, CA (MP B-61); from Bartle, CA (MP B-19) to Hambone, CA (MP 31.4); from Berry, CA (MP B-58) to Sierra, CA (MP S-7); and from Bear Flat, CA (MP B-31.6) to Pondosa, CA (MP P-3.93), a total distance of approximately 100 miles in Siskiyou and Shasta Counties, CA. MCR also has trackage rights over a rail line of Burlington Northern & Santa Fe Railway Company (BNSF) from Hambone, CA (MP 31.4) to Lookout, CA (MP 0.0), a distance of approximately 31.4 miles in Siskiyou and Modoc Counties, CA. The petition would be captioned as above. A 15-mile segment of the rail line between Mt. Shasta and McCloud, CA would be reclassified as industrial track for continued rail use after abandonment. All other rail service would cease and all other rail trackage would be removed.

Docket No. AB-914X
Draft Env. & Historic Report

Appendix 2 (Page 1 of 2)

Planning Department
March 8, 2005
Page 2

Enclosed is a draft Environmental and Historic Report that I have prepared to describe the proposed action and its environmental and historic effects. The action is described in Item 1 of the Environmental Report. Maps of the area appear as Appendix 1 attached to the Report.

Pursuant to STB regulations, MCR is required to consult with your agencies regarding the effect of the proposed action on local and regional land use plans (see Item 3(i) of the Environmental Report).

You are entitled to comment on the draft of statements that I have made. Any comments that you submit will be considered by the STB in evaluating the environmental and historic impacts of the proposed abandonment.

Your comments should be directed to:

Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W., Suite 500
Washington, DC 20423

You should send a copy of your comments to me at the address shown on this letterhead. Because the applicable statutes and regulations impose stringent deadlines for processing exemptions for abandonment, any comments that you submit should be sent within 3 weeks of your receipt of this letter.

Should you have any questions, you can contact the STB's Section of Environmental Analysis at (202) 565-1552 or the undersigned at (312) 236-0204.

Very truly yours,



Thomas F. McFarland
*Attorney for McCloud
Railway Company*

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**Docket No. AB-914X
Draft Env. & Historic Report**

Appendix 2 (Page 2 of 2)

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THOMAS F. McFARLAND

March 8, 2005

USDA Natural Resource Conservation Service
USDA Lyng Service Center
430 G Street, #4164
Davis, CA 95616-4164

Re: STB Docket No. AB-914X, *McCloud Railway Company -- Abandonment and Discontinuance of Service Exemption -- Entire Rail Line in Siskiyou, Shasta and Modoc Counties, CA*

Dear Sir or Madam:

On or about March 31, 2005, I expect to file a petition with the Surface Transportation Board (STB) in behalf of McCloud Railway Company (MCR) for an exemption for abandonment of its entire rail line. MCR's rail line consists of the following segments: from a point of connection with Union Pacific Railroad Company (UP) at Mt. Shasta, CA (Milepost [MP] M-15.2) to Burney, CA (MP B-61); from Bartle, CA (MP B-19) to Hambone, CA (MP 31.4); from Berry, CA (MP B-58) to Sierra, CA (MP S-7); and from Bear Flat, CA (MP B-31.6) to Pondosa, CA (MP P-3.93), a total distance of approximately 100 miles in Siskiyou and Shasta Counties, CA. MCR also has trackage rights over a rail line of Burlington Northern & Santa Fe Railway Company (BNSF) from Hambone, CA (MP 31.4) to Lookout, CA (MP 0.0), a distance of approximately 31.4 miles in Siskiyou and Modoc Counties, CA. The petition would be captioned as above. A 15-mile segment of the rail line between Mt. Shasta and McCloud, CA would be reclassified as industrial track for continued rail use after abandonment. All other rail service would cease and all other rail trackage would be removed.

Enclosed is a draft Environmental and Historic Report that I have prepared to describe the proposed action and its environmental and historic effects. The action is described in Item 1 of the Environmental Report. Maps of the area appear as Appendix 1 attached to the Report.

Docket No. AB-914X
Draft Env. & Historic Report

Appendix 3 (Page 1 of 2)

USDA Natural Resource Conservation Service
March 8, 2005
Page 2

Pursuant to STB regulations, MCR is required to consult with your agencies regarding the effect of the proposed action on local and regional land use plans (see Item 3(ii) of the Environmental Report).

You are entitled to comment on the draft of statements that I have made. Any comments that you submit will be considered by the STB in evaluating the environmental and historic impacts of the proposed abandonment.

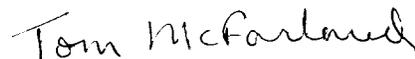
Your comments should be directed to:

Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

You should send a copy of your comments to me at the address shown on this letterhead. Because the applicable statutes and regulations impose stringent deadlines for processing exemptions for abandonment, any comments that you submit should be sent within 3 weeks of your receipt of this letter.

Should you have any questions, you can contact the STB's Section of Environmental Analysis at (202) 565-1552 or the undersigned at (312) 236-0204.

Very truly yours,



Thomas F. McFarland
*Attorney for McCloud
Railway Company*

TMcF:kl:enc:wp8.0\1005\lrusdal

**Docket No. AB-914X
Draft Env. & Historic Report**

Appendix 3 (Page 2 of 2)

LAW OFFICE
THOMAS F. McFARLAND, P.C.
208 SOUTH LASALLE STREET - SUITE 1890
CHICAGO, ILLINOIS 60604-1112
TELEPHONE (312) 236-0204
FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. McFARLAND

March 8, 2005

U.S. Fish & Wildlife Service
Pacific Region
911 Northeast 11th Avenue
Portland, OR 97232

Re: STB Docket No. AB-914X, *McCloud Railway Company -- Abandonment and Discontinuance of Service Exemption -- Entire Rail Line in Siskiyou, Shasta and Modoc Counties, CA*

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Docket No. AB-914X
Draft Env. & Historic Report

Appendix 4 (Page 1 of 2)

U.S. Fish & Wildlife Service
March 8, 2005
Page 2

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*Attorney for McCloud
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**Docket No. AB-914X
Draft Env. & Historic Report**

Appendix 4 (Page 2 of 2)

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208 SOUTH LASALLE STREET - SUITE 1890
CHICAGO, ILLINOIS 60604-1112
TELEPHONE (312) 236-0204
FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. McFARLAND

March 8, 2005

California Environmental Protection Agency
1001 I Street
P.O. Box 2815
Sacramento, CA 95812-2815

Re: STB Docket No. AB-914X, *McCloud Railway Company -- Abandonment and Discontinuance of Service Exemption -- Entire Rail Line in Siskiyou, Shasta and Modoc Counties, CA*

Dear Sir or Madam:

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Docket No. AB-914X
Draft Env. & Historic Report

Appendix 5 (Page 1 of 2)

California Environmental Protection Agency
March 8, 2005
Page 2

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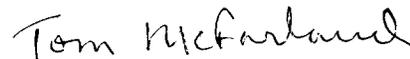
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Washington, DC 20423

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*Attorney for McCloud
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TMcF:kl:enc:wp8.0\1005\lrcarpa1

**Docket No. AB-914X
Draft Env. & Historic Report**

Appendix 5 (Page 2 of 2)

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THOMAS F. McFARLAND, P.C.
208 SOUTH LASALLE STREET - SUITE 1890
CHICAGO, ILLINOIS 60604-1112
TELEPHONE (312) 236-0204
FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. McFARLAND

March 8, 2005

U.S. Army Corps of Engineers
Sacramento District
1325 J Street
Sacramento, CA 95814

Re: STB Docket No. AB-914X, *McCloud Railway Company -- Abandonment and Discontinuance of Service Exemption -- Entire Rail Line in Siskiyou, Shasta and Modoc Counties, CA*

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**Docket No. AB-914X
Draft Env. & Historic Report**

Appendix 6 (Page 1 of 2)

U.S. Army Corps of Engineers
March 8, 2005
Page 2

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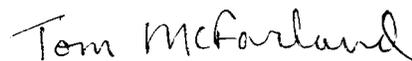
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Railway Company*

TMcF:kl:enc:wp8.0\1005\ltruace1

**Docket No. AB-914X
Draft Env. & Historic Report**

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TELEPHONE (312) 236-0204
FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. McFARLAND

March 8, 2005

U.S. Environmental Protection Agency
Region 9
75 Hawthorne Street
San Francisco, CA 94105

Re: STB Docket No. AB-914X, *McCloud Railway Company -- Abandonment and Discontinuance of Service Exemption -- Entire Rail Line in Siskiyou, Shasta and Modoc Counties, CA*

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Appendix 7 (Page 1 of 2)

U.S. Environmental Protection Agency
March 8, 2005
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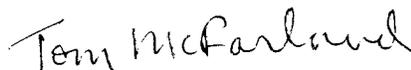
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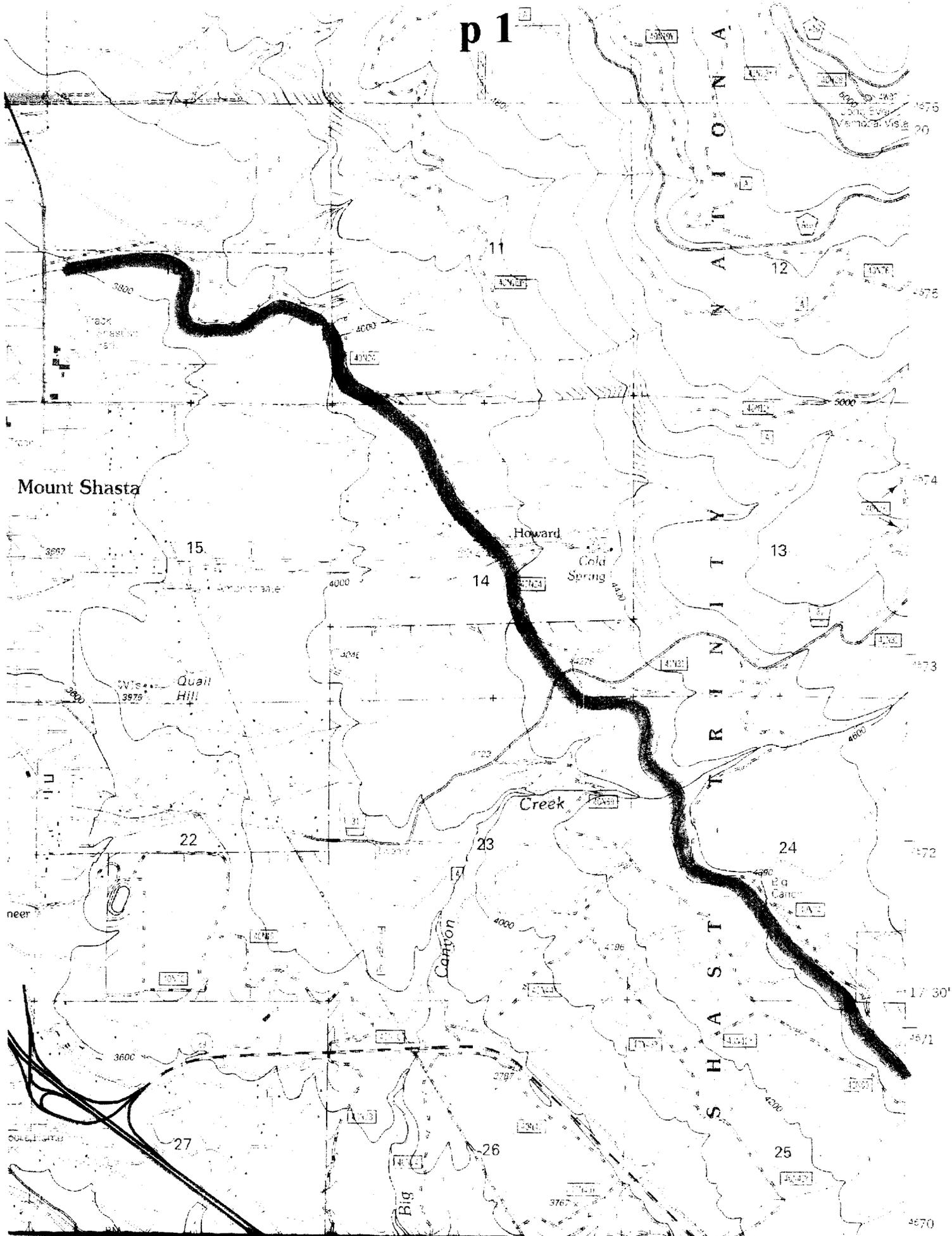
Thomas F. McFarland
*Attorney for McCloud
Railway Company*

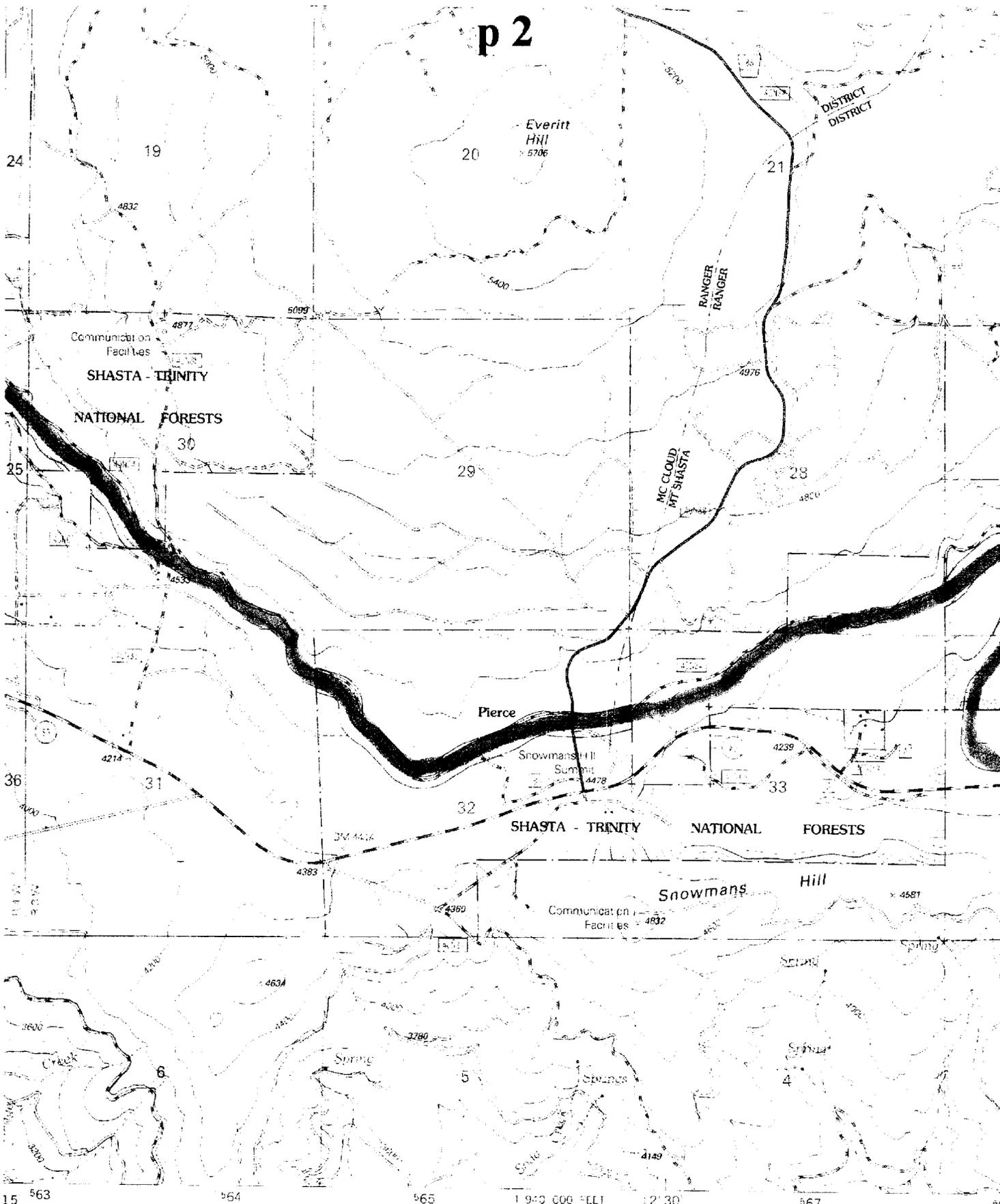
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**Docket No. AB-914X
Draft Env. & Historic Report**

Appendix 7 (Page 2 of 2)

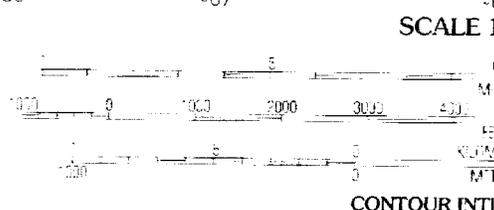
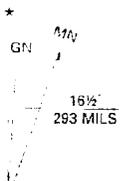
Appendix 8

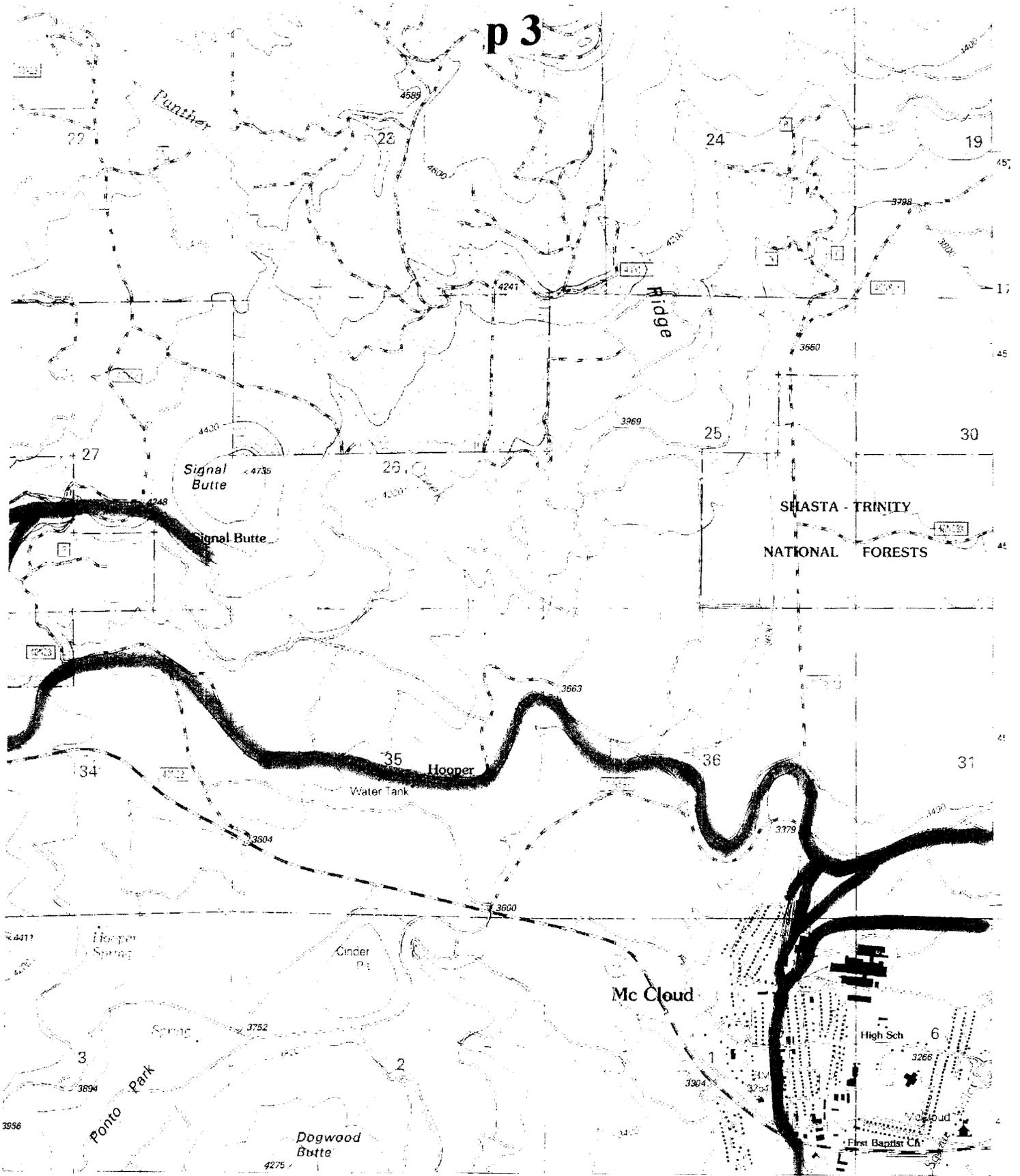




States Geological Survey 1986
 adjacent to National Forest System lands
 1998

planimetry derived from imagery
 Public Land Survey System and survey
 boundaries current as of 2001
 (NAD 27). Projection and 10 000-foot ticks:
 Zone 1 (Lambert conformal conic)



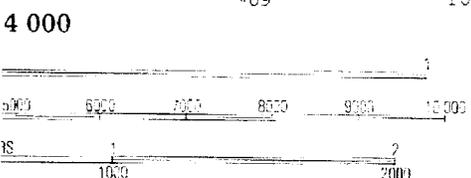


SHASTA - TRINITY
NATIONAL FORESTS

Mc Cloud

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QUADRANGLE LOCATION

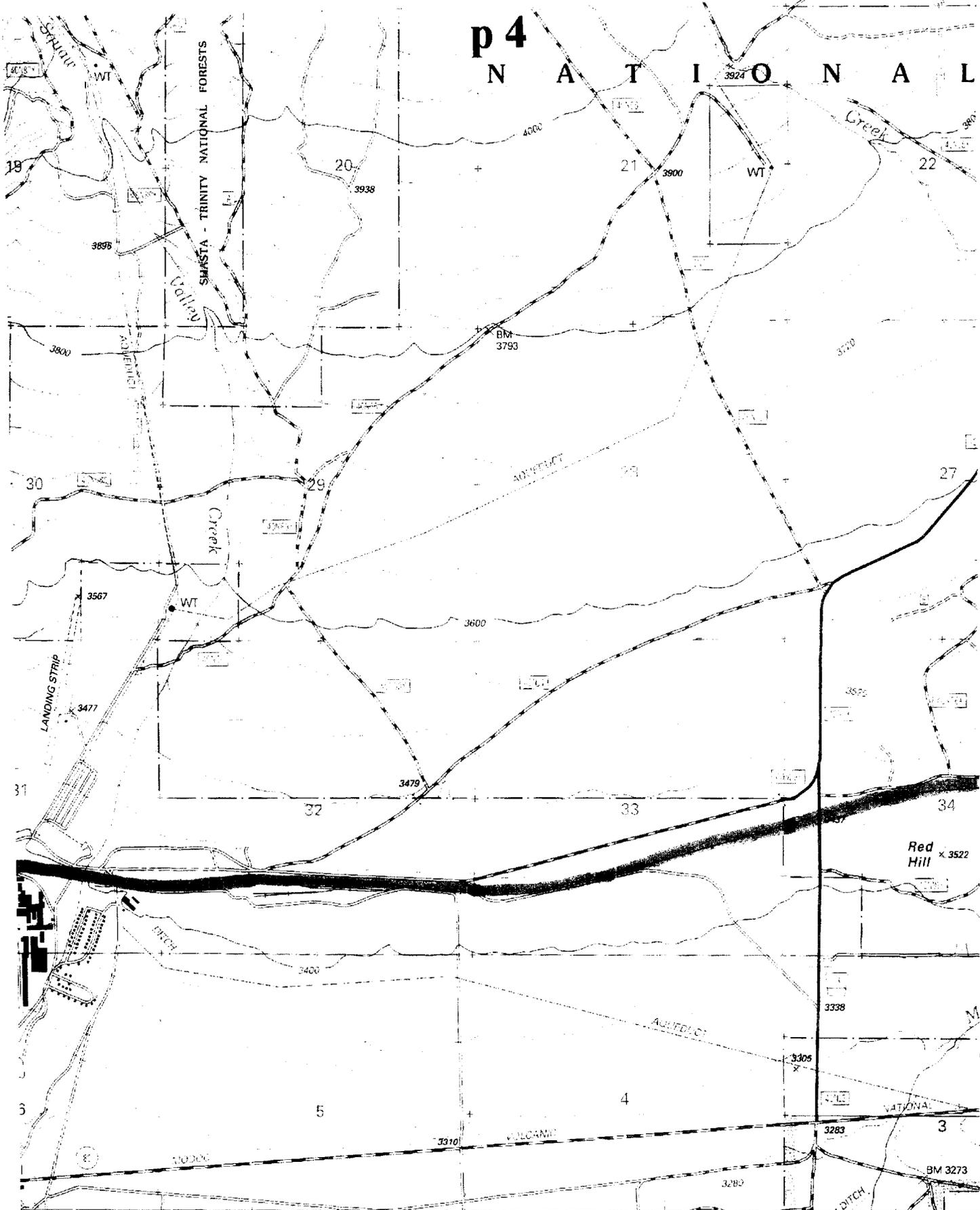


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HIGHWAYS AND ROADS

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 - U. S.
 - State
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- Primary highway
 - Secondary highway..
 - Light-duty road
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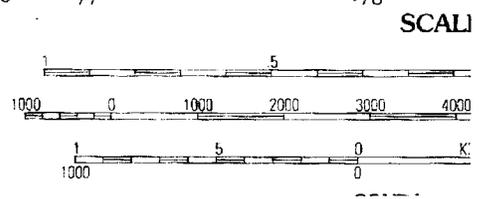
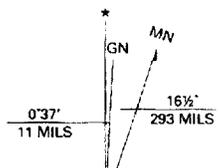
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ates Geological Survey 1986
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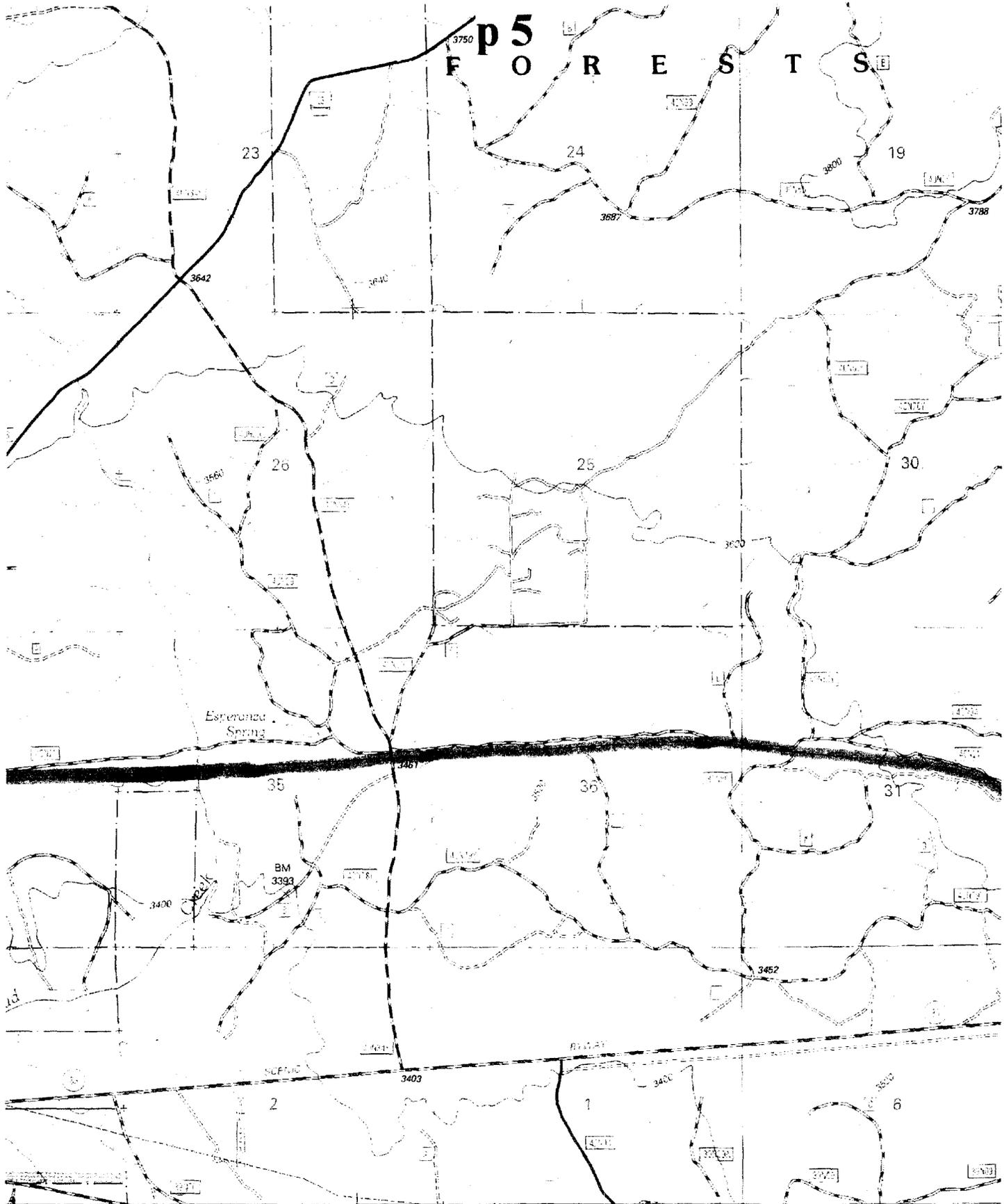
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: 1 (Lambert conformal conic)

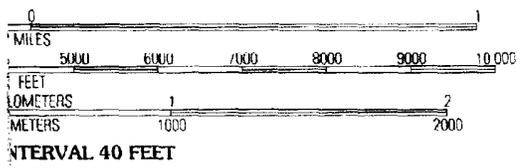


F O R E S T S

p 5



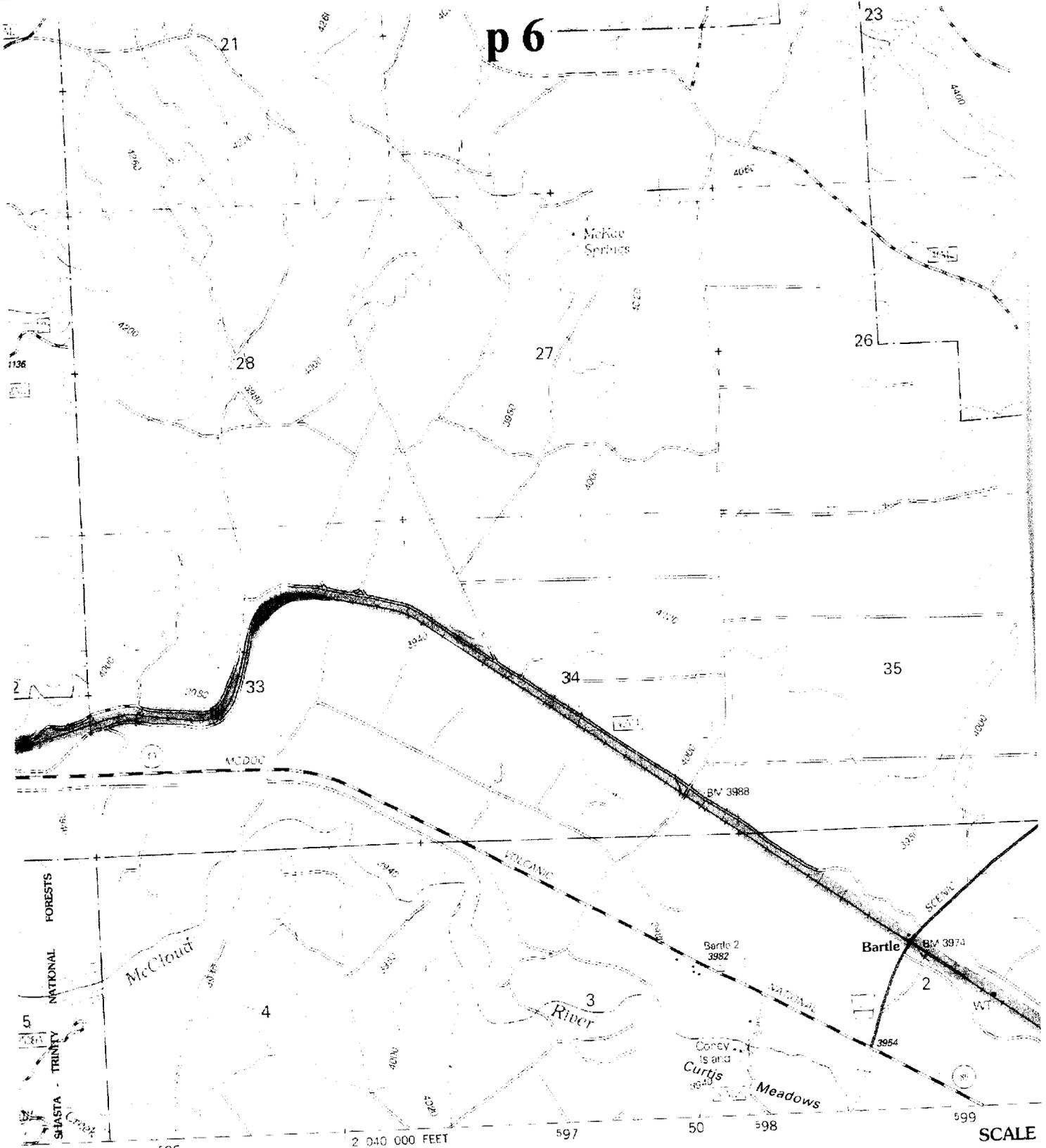
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INTERIOR GEOL. SURVEY, RESTON, VIRGINIA - 2003

HIGHWAYS AND ROADS

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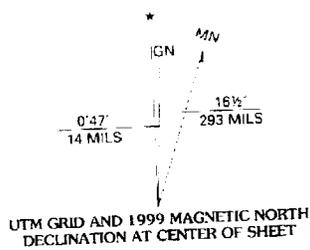
**States Geological Survey 1990
Adjacent to National Forest System
Service 1998**

Planimetry derived from imagery taken 1997
 Survey System and survey control current
 as of 2001

7 (NAD 27). Projection and 10 000-foot ticks:
 one 1 (Lambert conformal conic)
 inverse Mercator ticks, zone 10

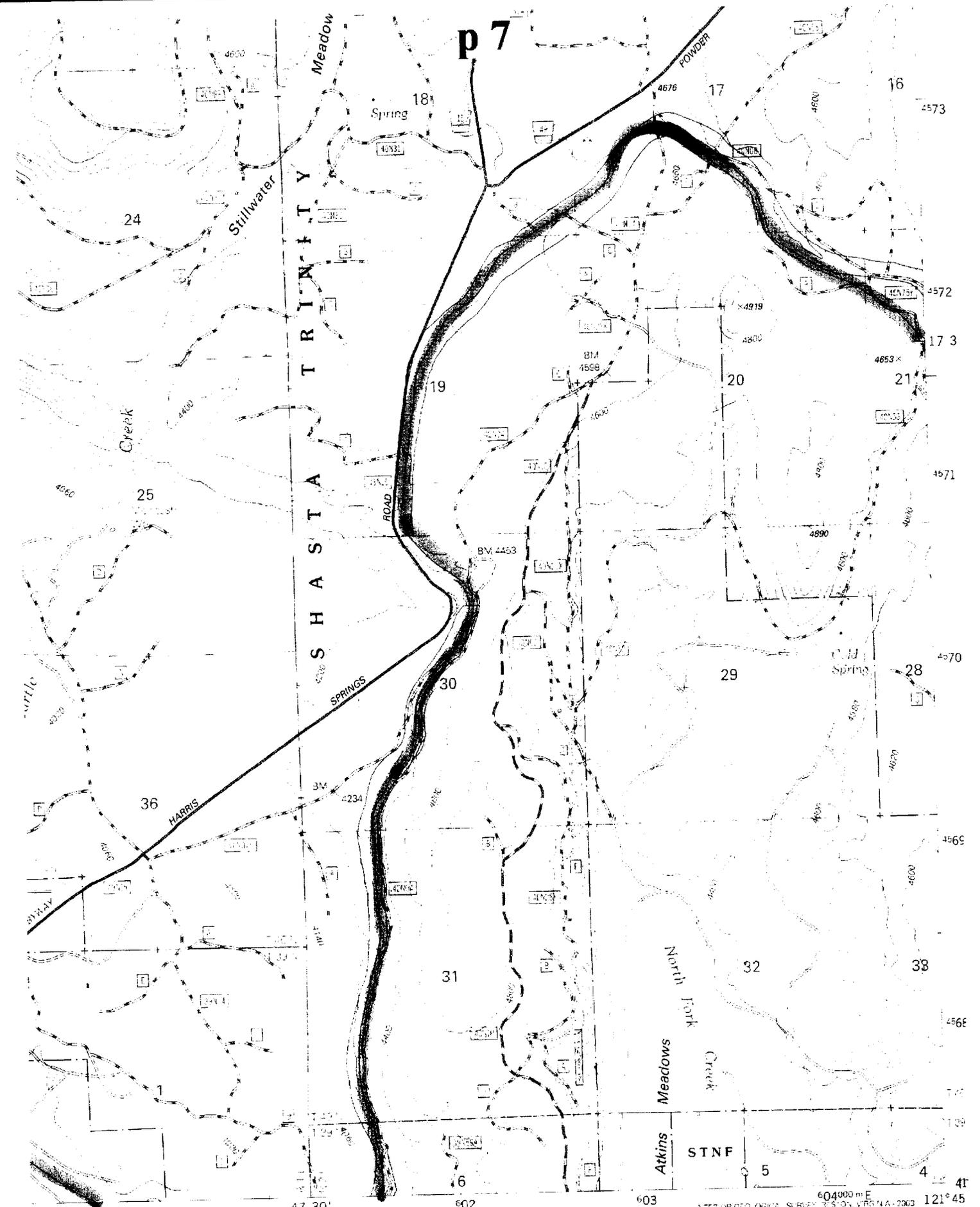
3 (NAD 83) is shown by dashed corner ticks
 NAD 27 and NAD 83 for 7.5-minute
 in National Geodetic Survey NADCON software

em lands within the National Forest
 ther National or State reservations
 or ownership document. Public lands are



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 TO CONVERT FROM FEET TO**

SHASTA TRINITY

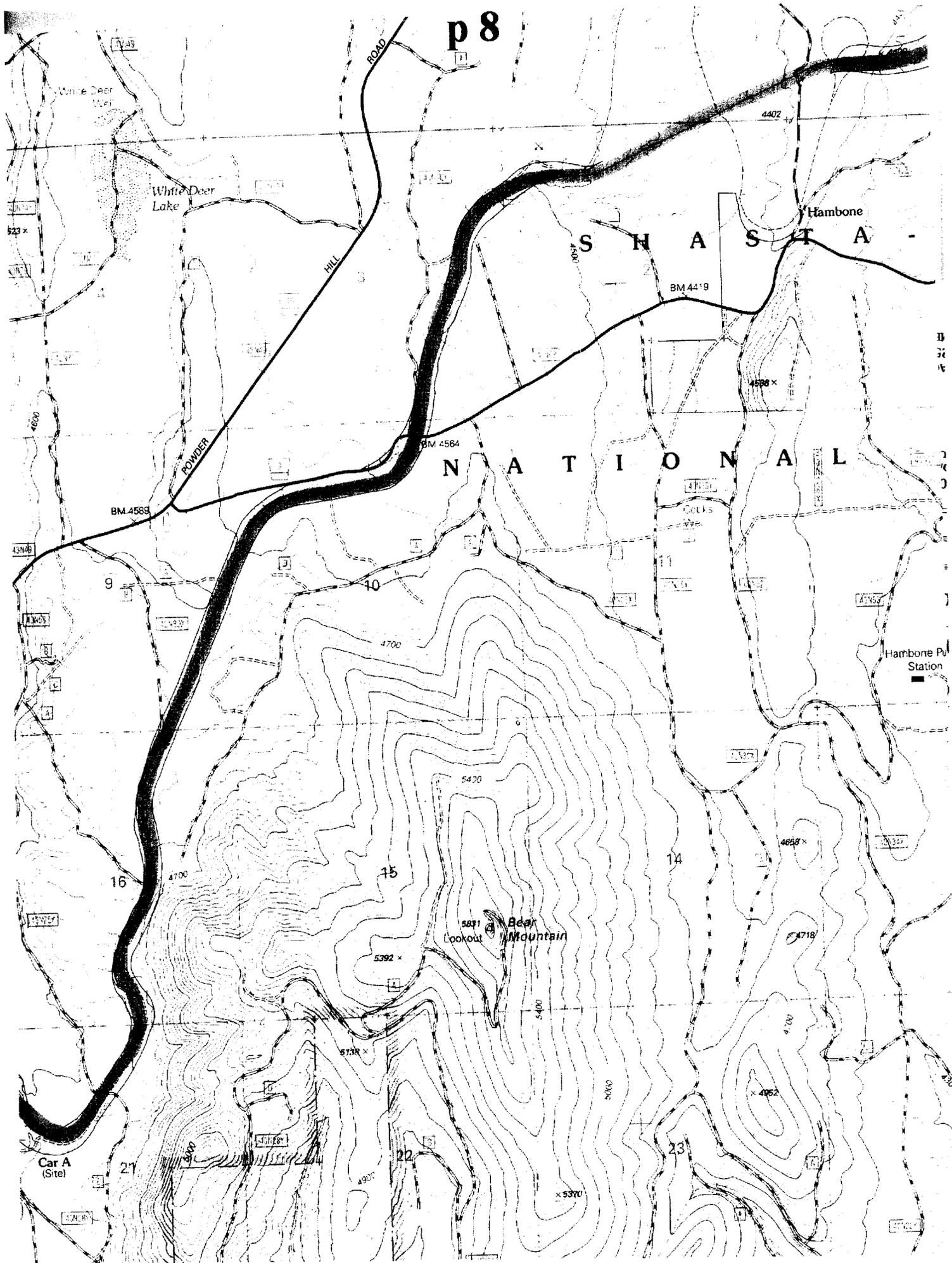


000



604000 m E 121° 45'
 HIGHS AND ROADS

Interstate
 Primary highway
 Secondary highway



Hambone Pk Station

Car A (Site)

Bear Mountain
5891
Lookout

White Deer Lake

Hambone

SHASTA NATIONAL

ROAD

POWDER

HILL

9

10

16

15

14

21

22

23

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4402

BM 4419

4588 x

BM 4569

BM 4564

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5430

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5000

4700

4662

4718

4658 x

x 5370

5700 x

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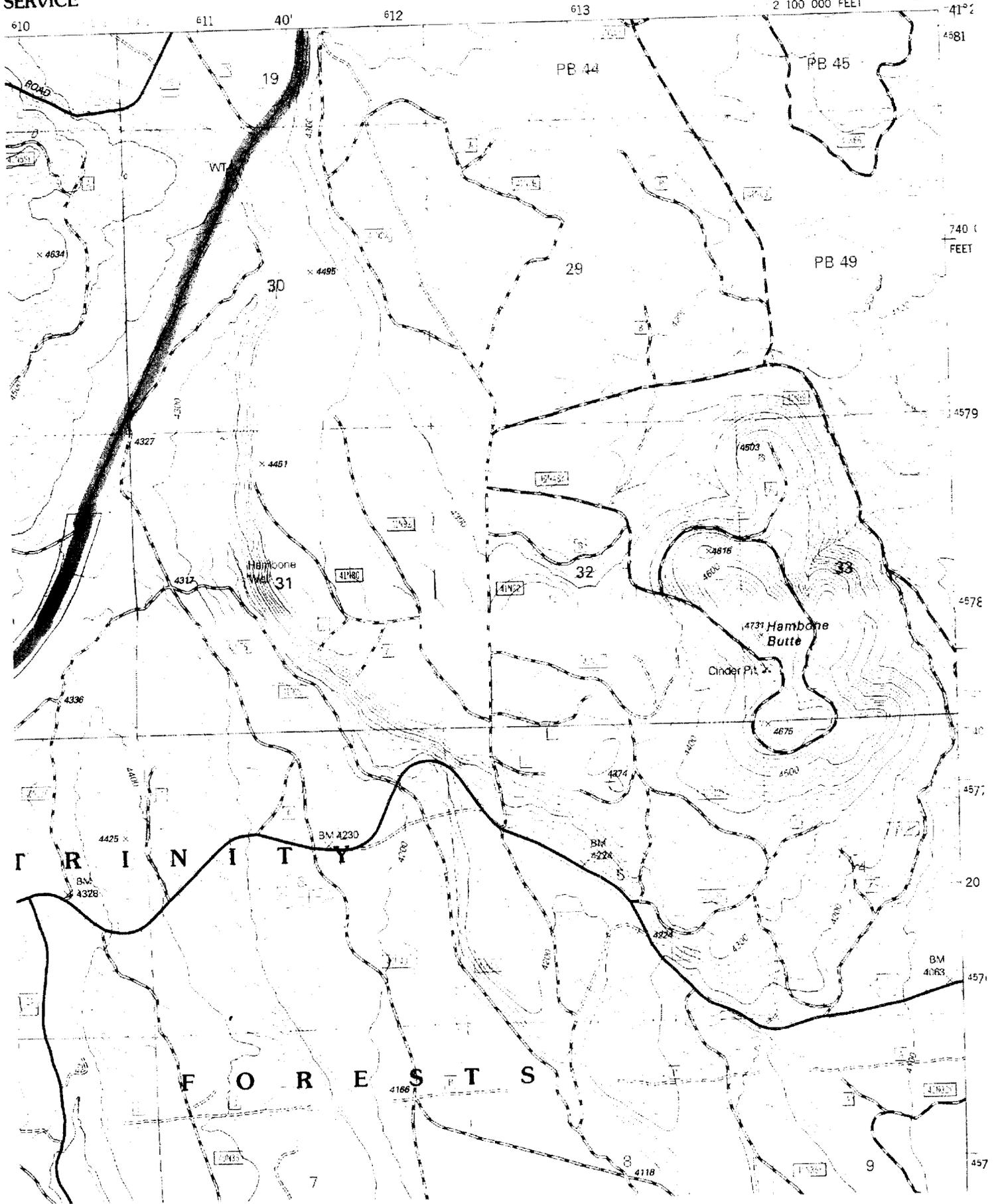
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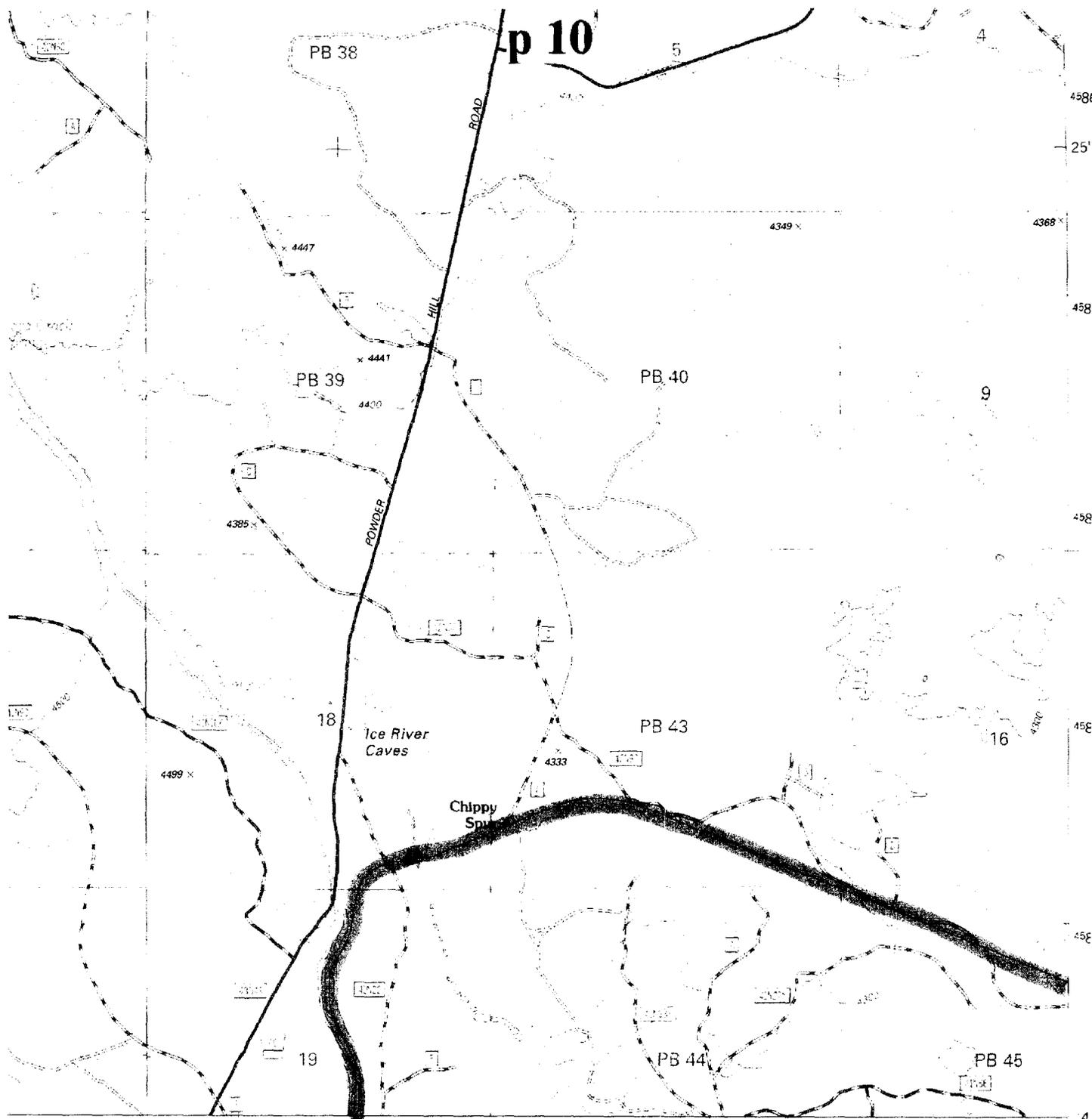
DEPARTMENT OF AGRICULTURE
SERVICE

HAMBONE QUAI
CALIFORNIA-SISKI
7.5-MINUTE SERIES (T)

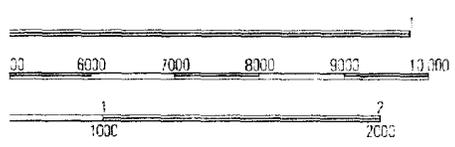
121°37'30"

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SCALE 20 FEET
 DATUM OF 1929
 MULTIPLY BY 0.3048



QUADRANGLE LOCATION

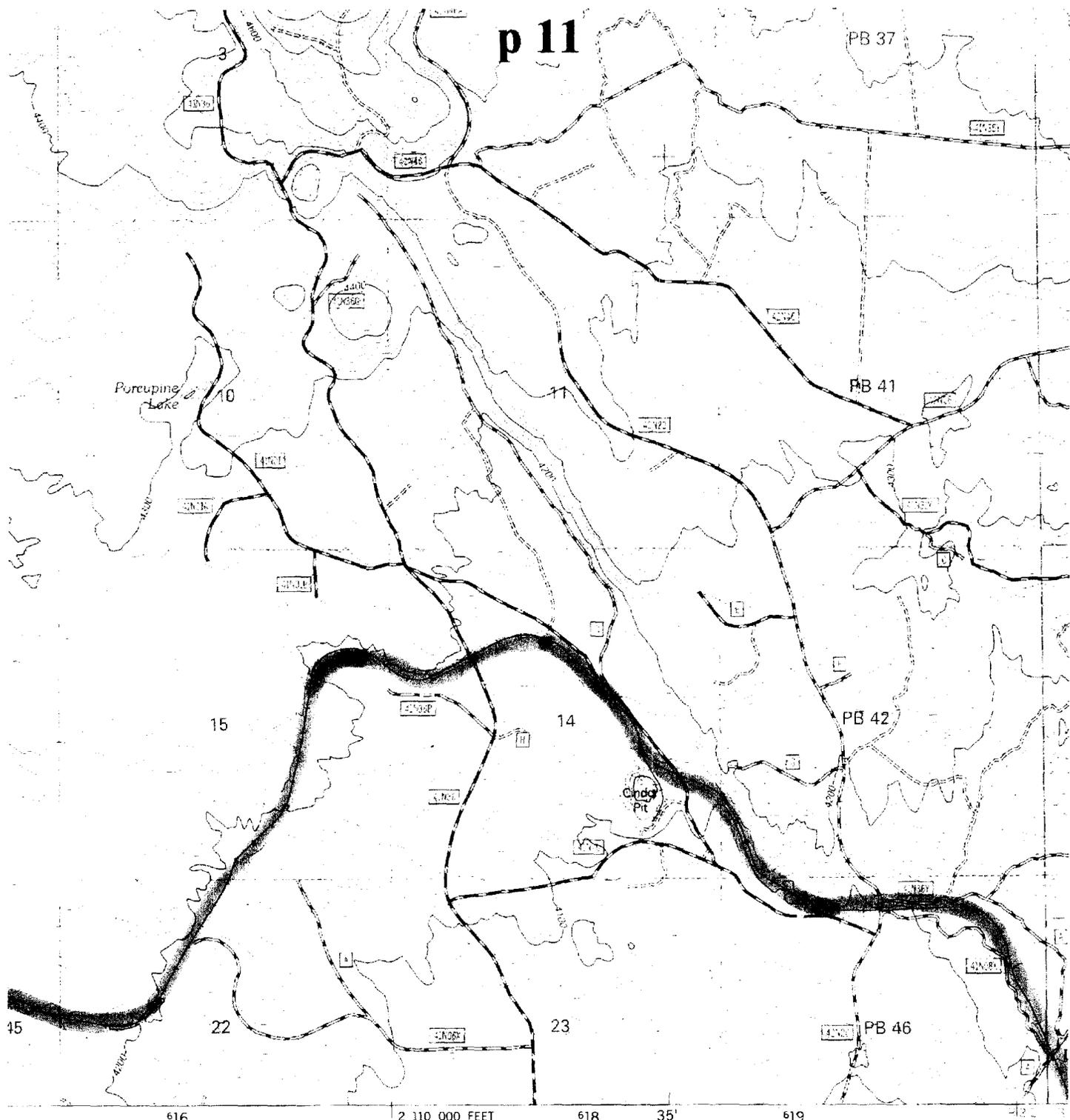
1	2	3	1 Garner Mountain
			2 Little Glass Mountain
			3 Medicine Lake
4		5	4 Horse Peak
			5 Porcupine Butte
			6 Bartle
6	7	8	7 Hambone
			8 Indian Spring Mountain

ADJOINING 7.5' QUADRANGLES

- HIGHWAYS AND ROADS**
- Interstate
 - U. S.
 - State
 - County
 - National Forest, suitable for passenger cars
 - National Forest, suitable for high clearance vehicles
 - National Forest Trail
 - Primary highway
 - Secondary highway
 - Light-duty road
 - Composition: Uns
Pav
Gra
Dirt
 - Unimproved; 4 wheel
Trail
 - Gate; Barrier

MAP ACCURACY STANDARDS
 OX 25286, DENVER, COLORADO 80225
 SYMBOLS IS AVAILABLE ON REQUEST

SNAG
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 41121-
 NIMA 1666 1

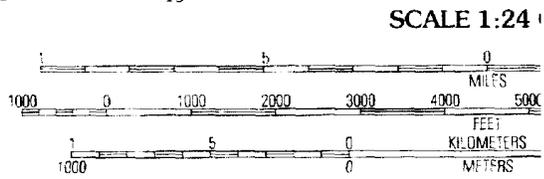
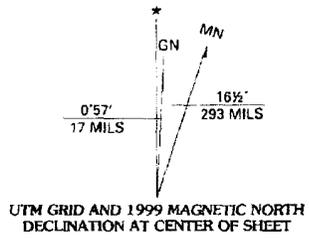


U.S. Geological Survey 1990
 data derived from imagery taken 1990
 System and survey control
 as of 2001

27) Projection and 10 000-foot ticks:
 Lambert conformal conic)
 Mercator ticks, zone 10

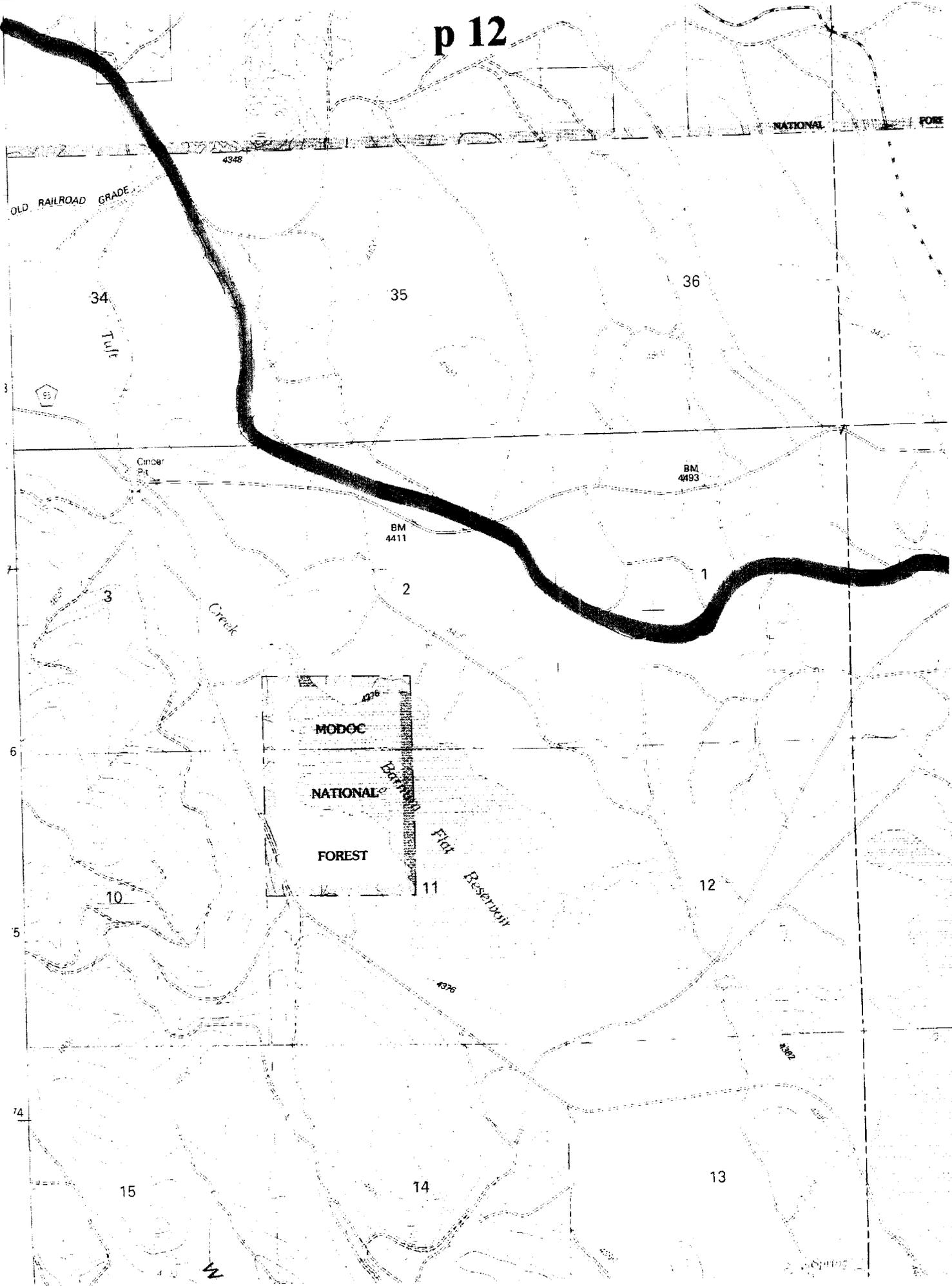
83) is shown by dashed corner ticks
 7 and NAD 83 for 7.5-minute
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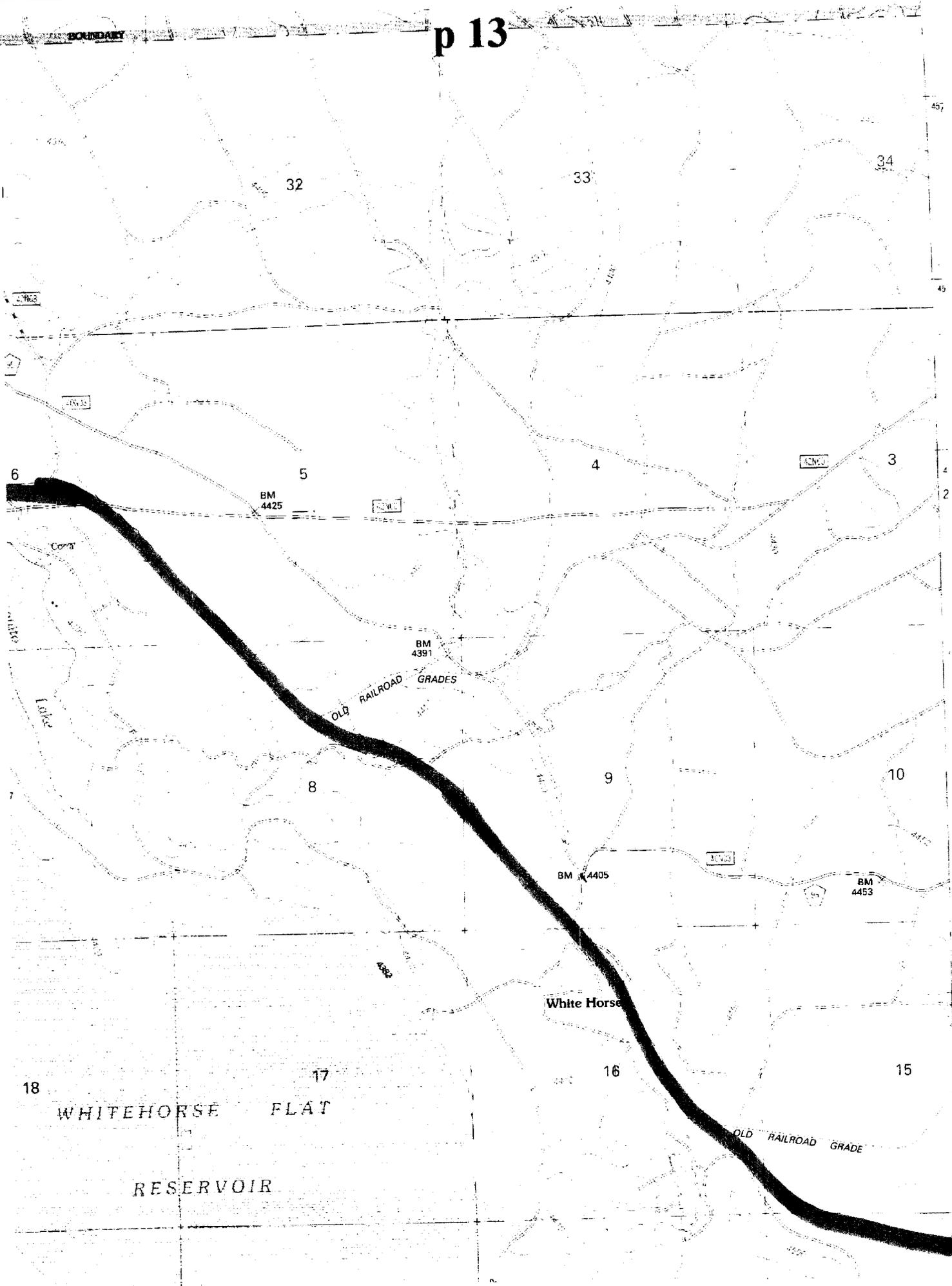
within the National Forest
 national or State reservations
 ownership document. Public lands are
 have access restrictions; check
 before entering private lands
 land of uncertain acreage

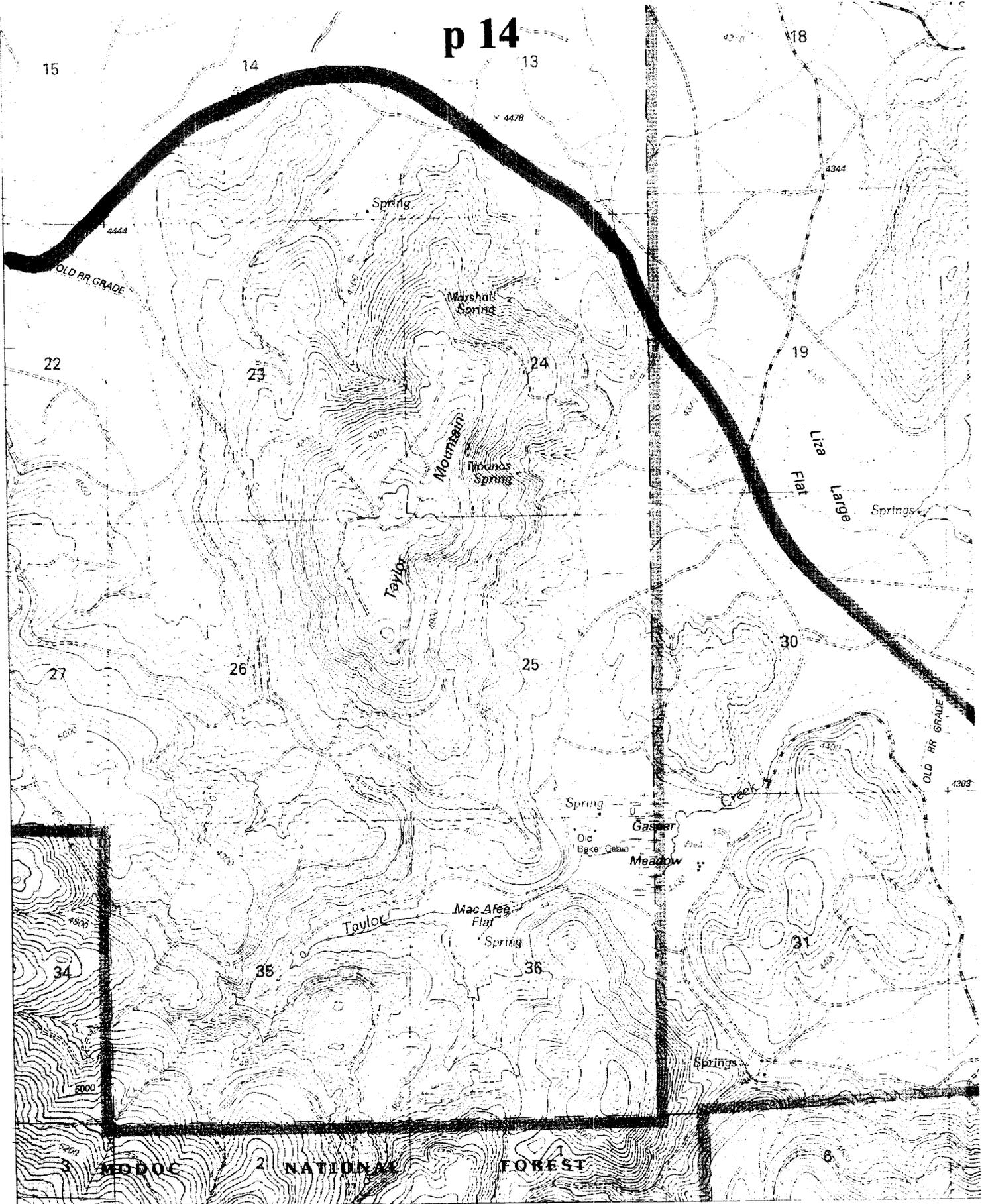


SCALE 1:24 000
 CONTOUR INTERVAL
 NATIONAL GEODETIC VERTICAL
 TO CONVERT FROM FEET TO METERS

THIS MAP COMPLIES WITH NATIONAL M.
 FOR SALE BY U.S. GEOLOGICAL SURVEY, P.O. BC
 A FOLDER DESCRIBING TOPOGRAPHIC MAPS AND

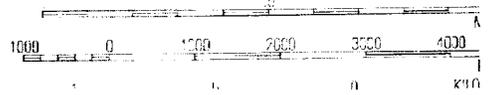
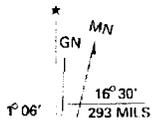




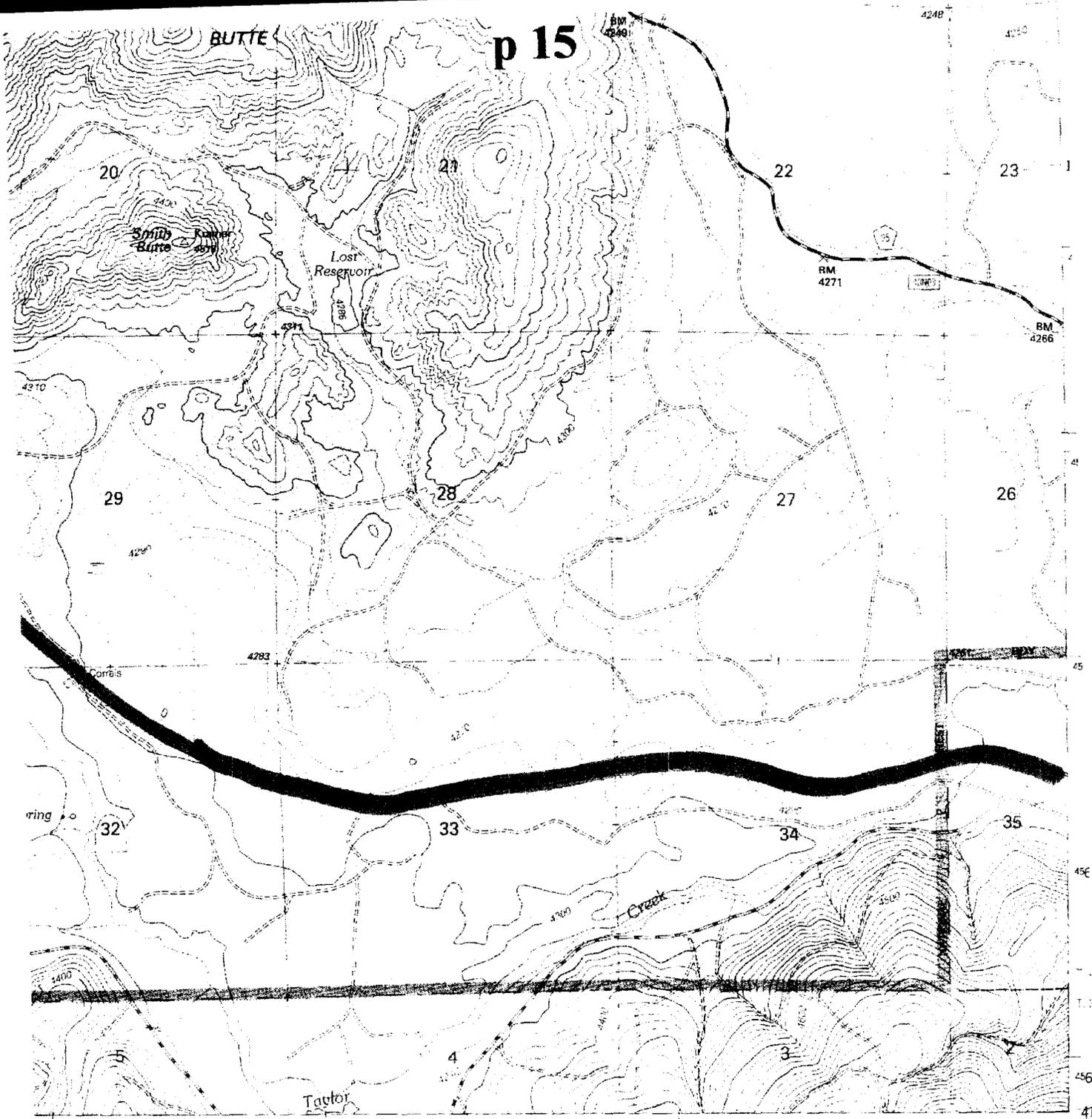


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Geological Survey
 Forest Service
 Forest System lands may not have been revised
 by NOAA
 Photographs taken 1960. Revised from aerial



SCALE



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20 FEET

INTERVAL 10 FEET
DATUM OF 1929
MULTIPLY BY 0.3048

QUADRANGLE LOCATION

1	2	3	1 Border Mountain
			2 Hollenbeck
			3 Crank Mountain
4		5	4 White Horse
			5 Donica Mountain
			6 Timbered Crater
6	7	8	7 Day
			8 Lookout

ADJOINING 7.5' QUADRANGLES

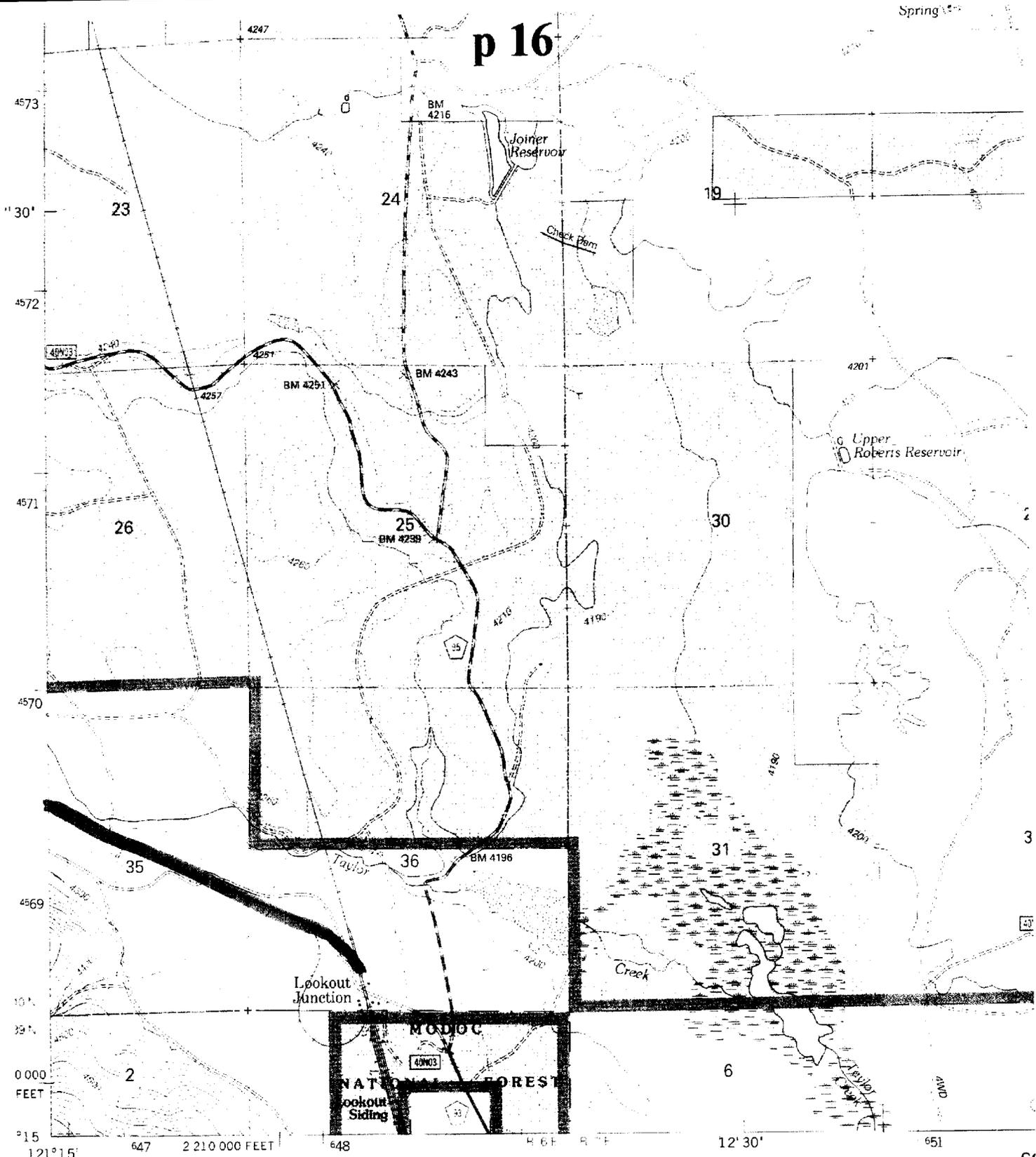
HIGHWAYS AND ROADS

- Interstate
- U. S.
- State
- County
- National Forest, suitable for passenger cars
- National Forest, suitable for high clearance vehicles
- National Forest Trail
- Primary highway
- Secondary highway
- Light-duty road
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- Trail
- Gate

EGG LAKE, (

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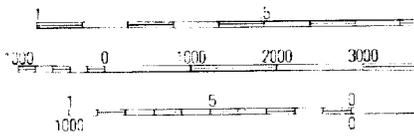
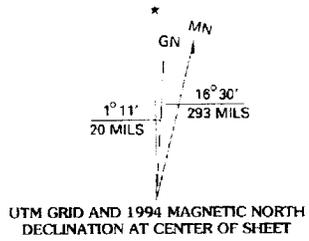


J.S. Geological Survey
 S. Forest Service
 National Forest System lands may not have been revised.
 FOS/NOAA

Photographs taken 1960. Limited revision from aerial
 35 and other sources. Partial field check by U. S. Forest
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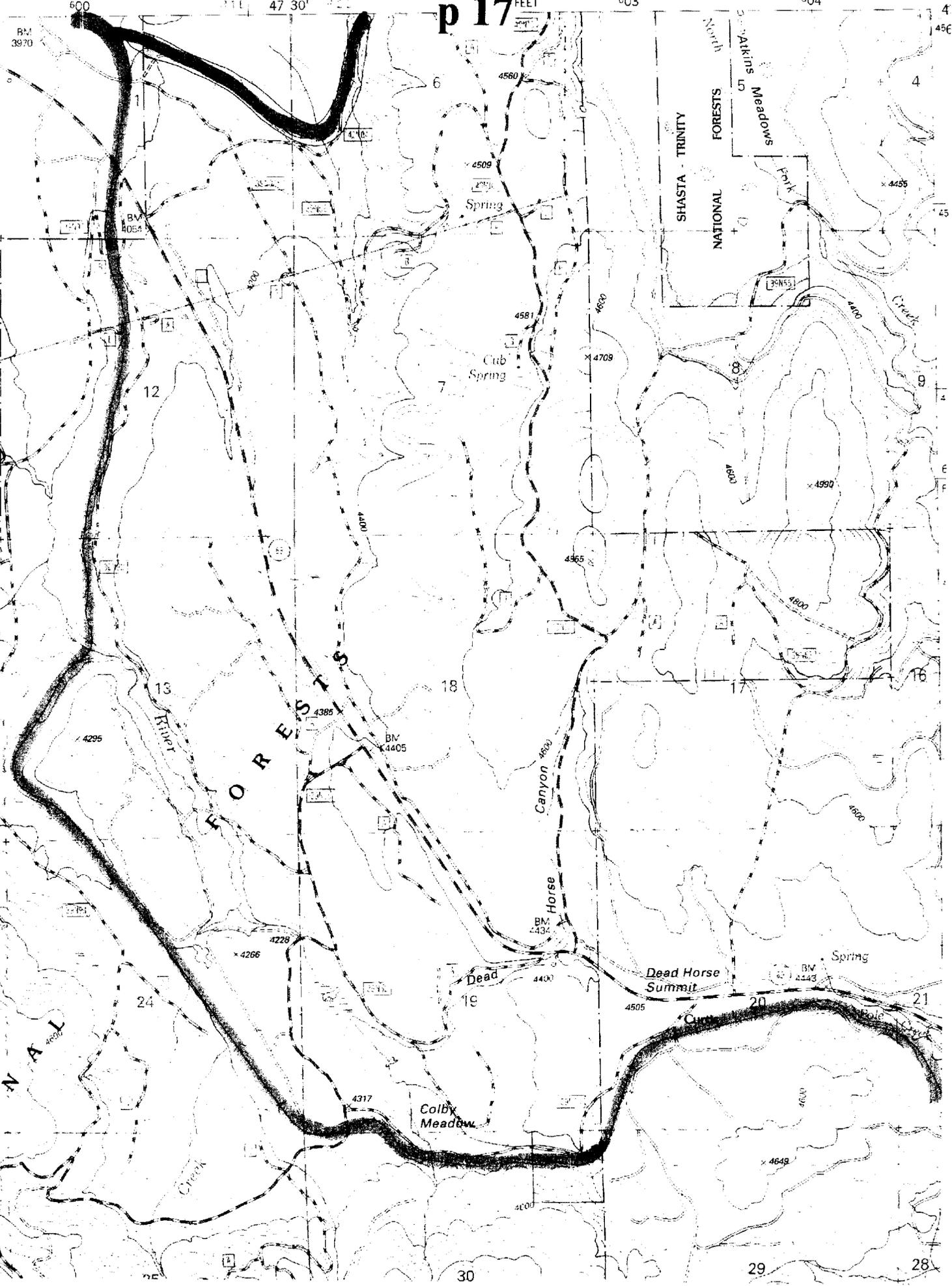
1983 (NAD 83) is shown by dashed corner ticks.
 between NAD 27 and NAD 83 for 7.5-minute
 squares. Data from National Geodetic Survey NADCON software.

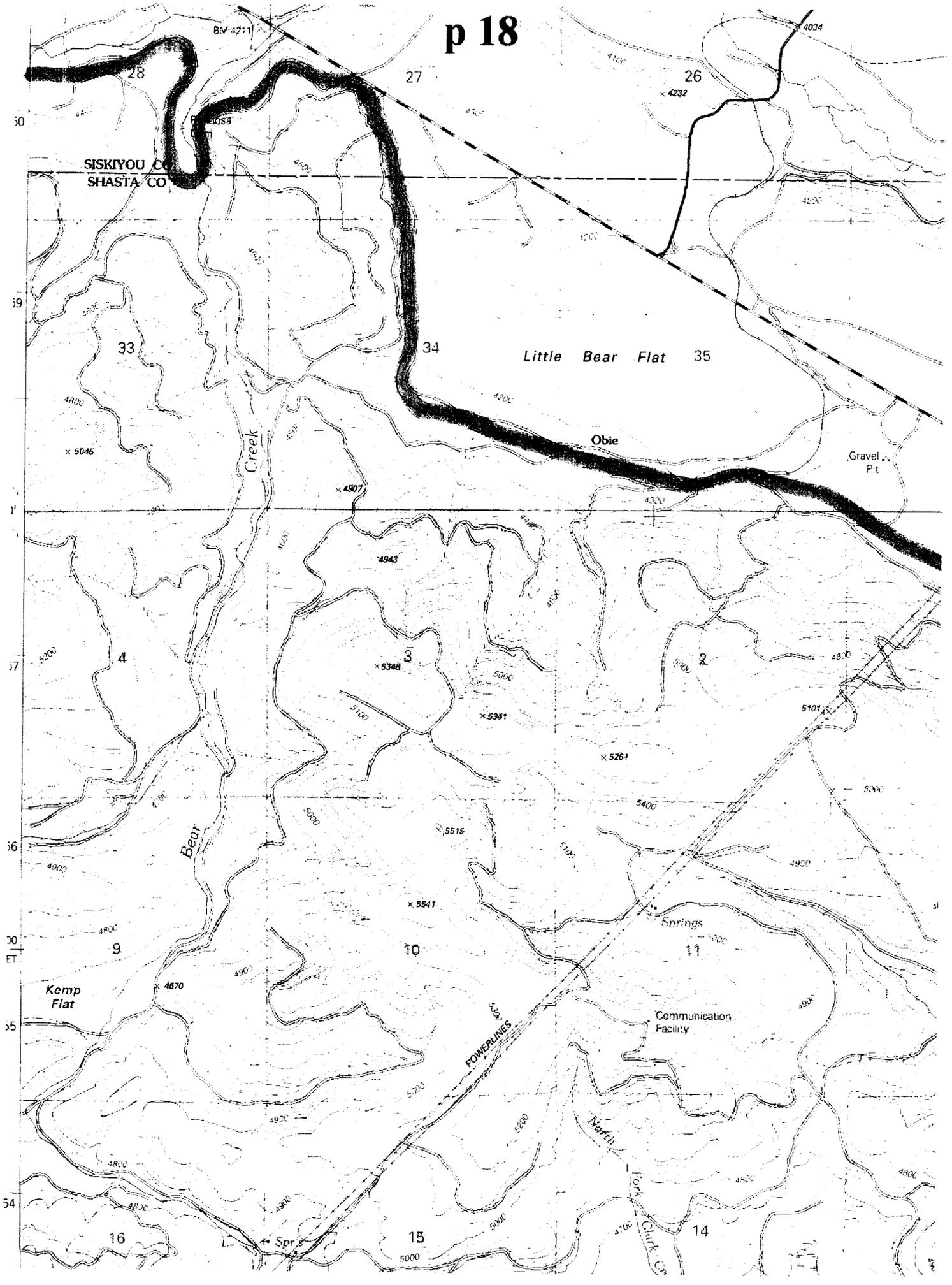
1981 System lands within the National Forest
 are listed in other National or State reservations.
 land line or ownership document. Public lands are



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THIS MAP COMPLIES WITH
 FOR SALES





NATIONAL FORESTS

p 19 Creek

Florin Crossing

SISKIYOU CO
SHASTA CO

STNF

Bear

36

31

32

33

Dickson Flat

1

5

4

12

Harlow Place

7

8

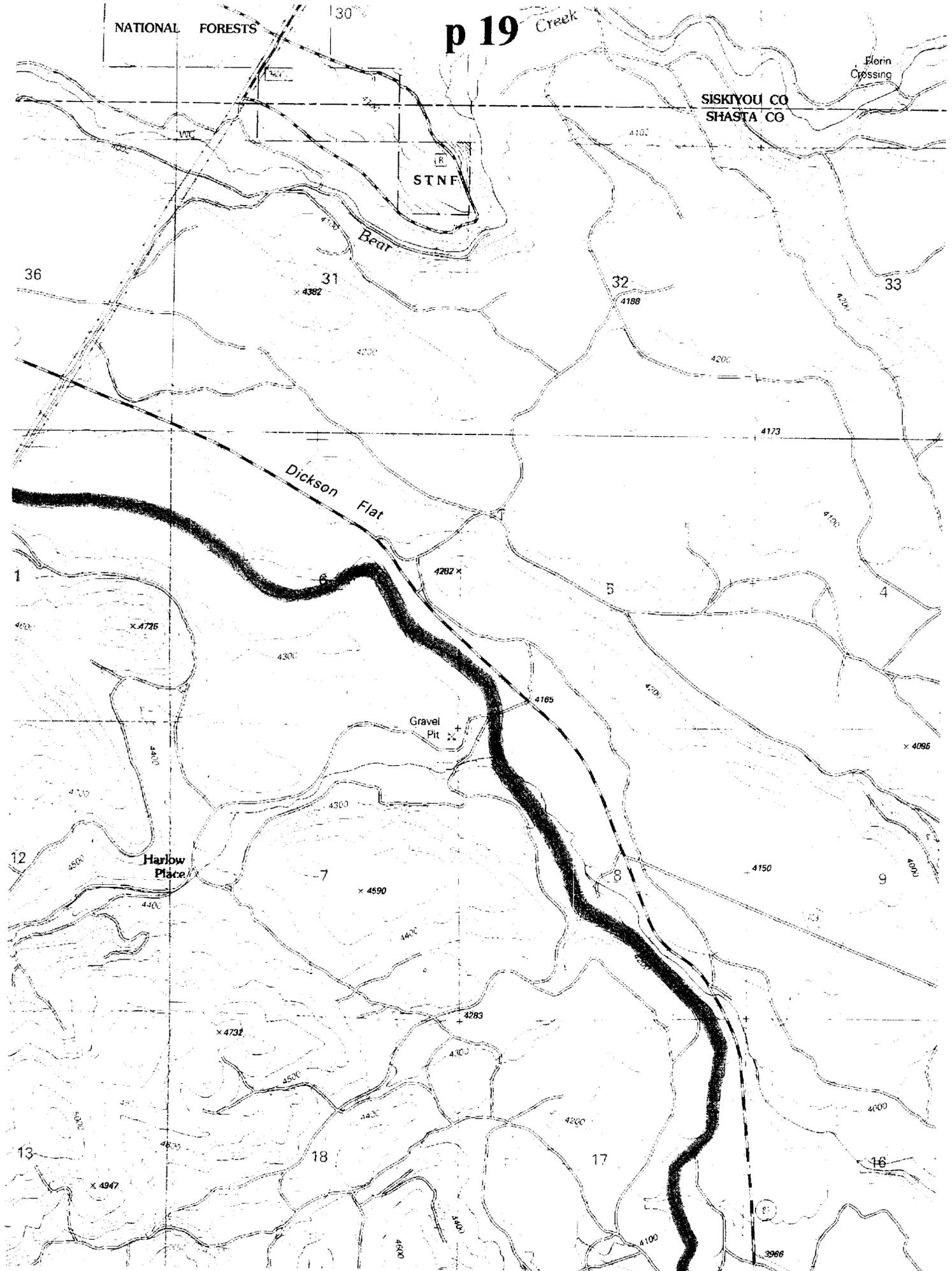
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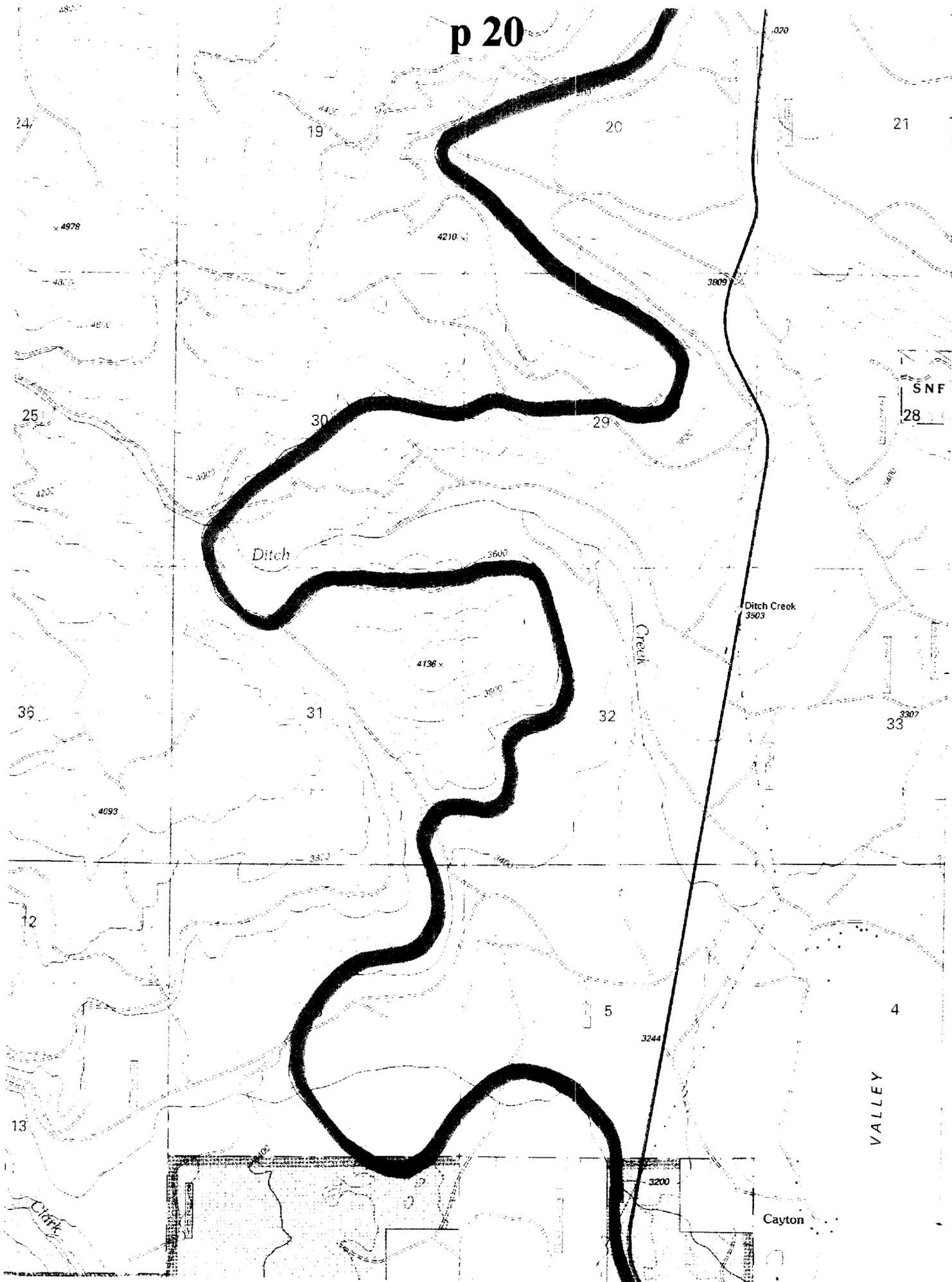
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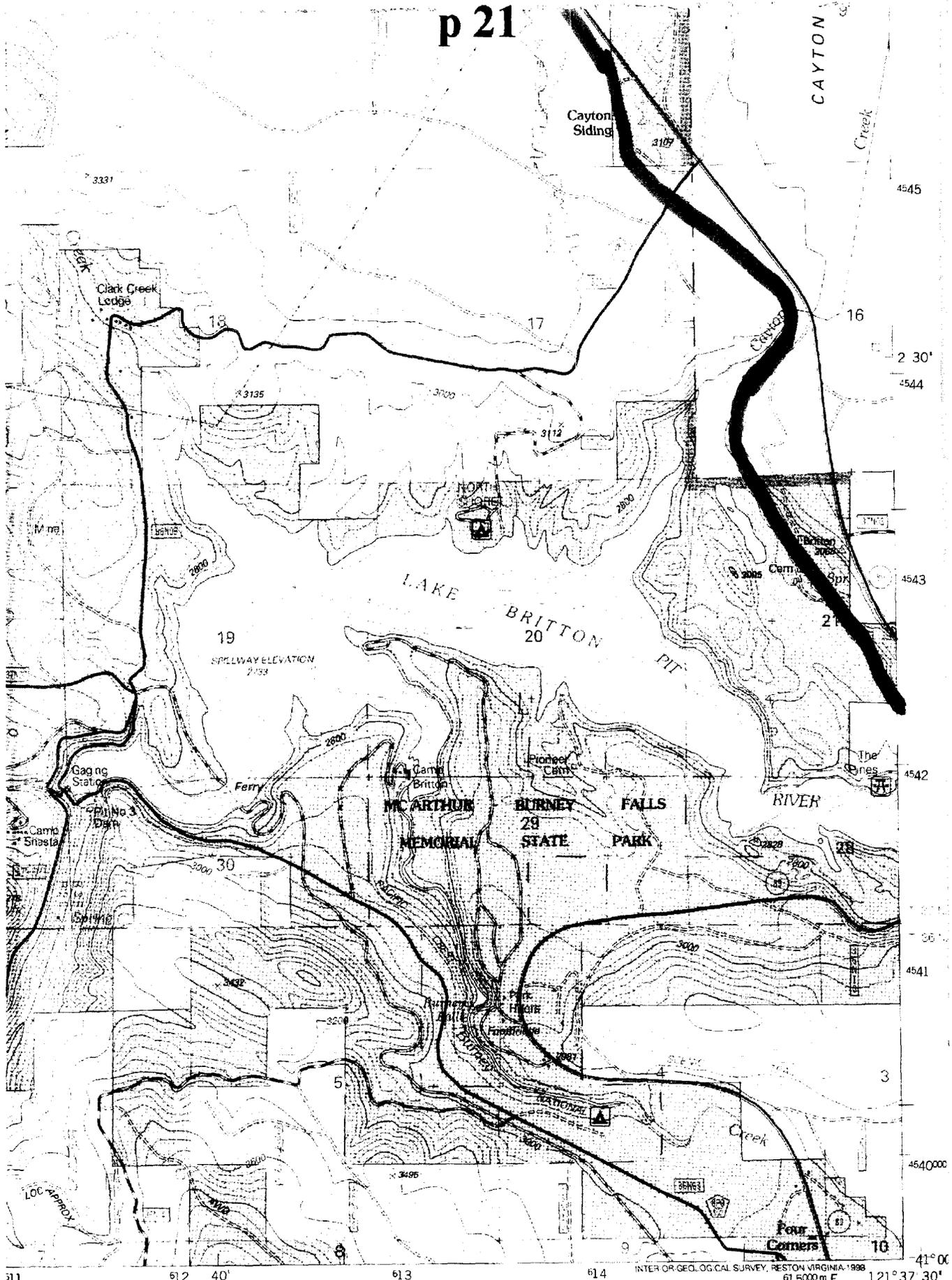
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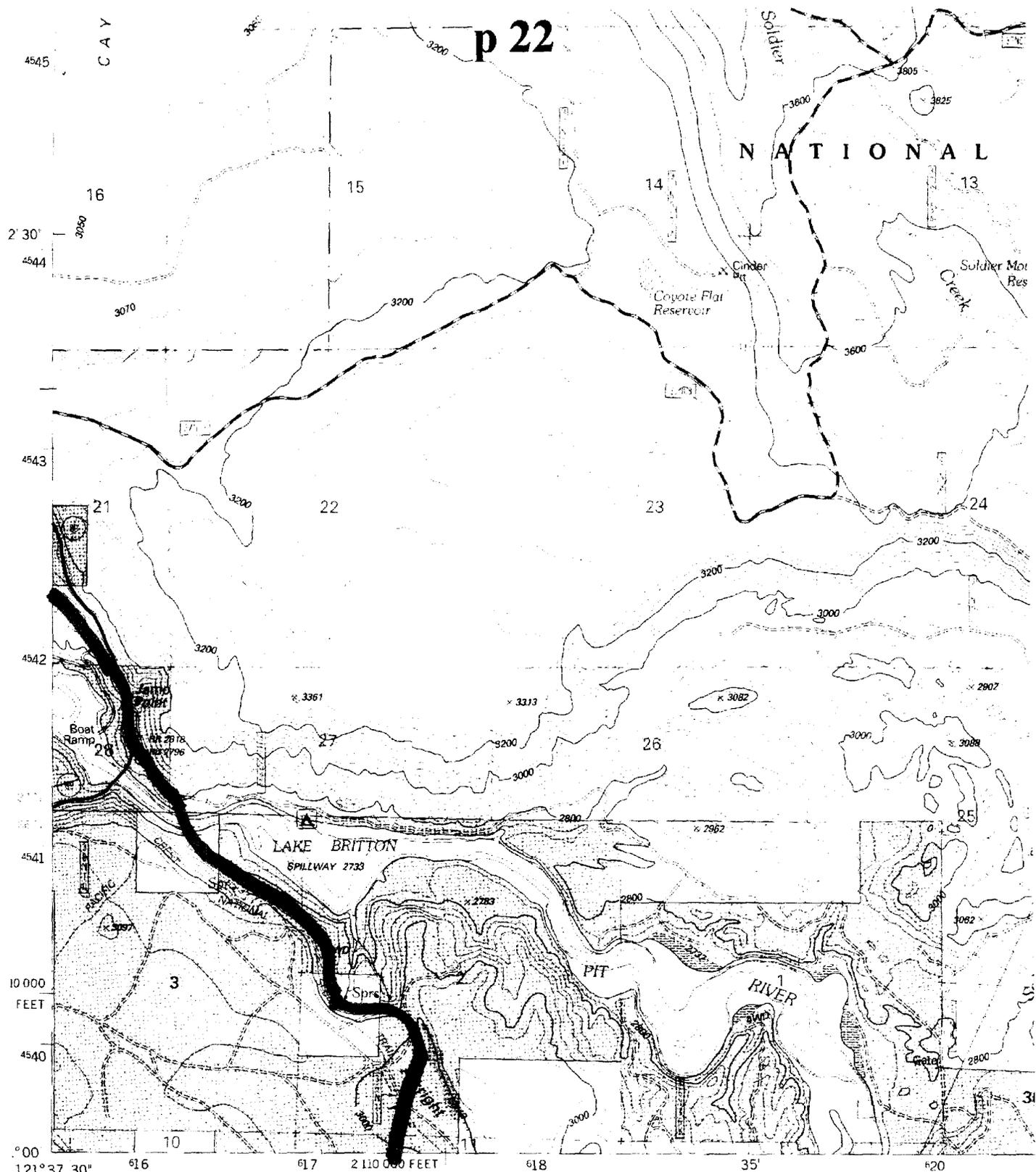


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HIGHWAYS AND ROADS

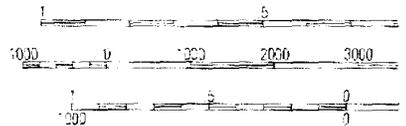
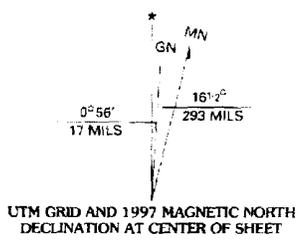
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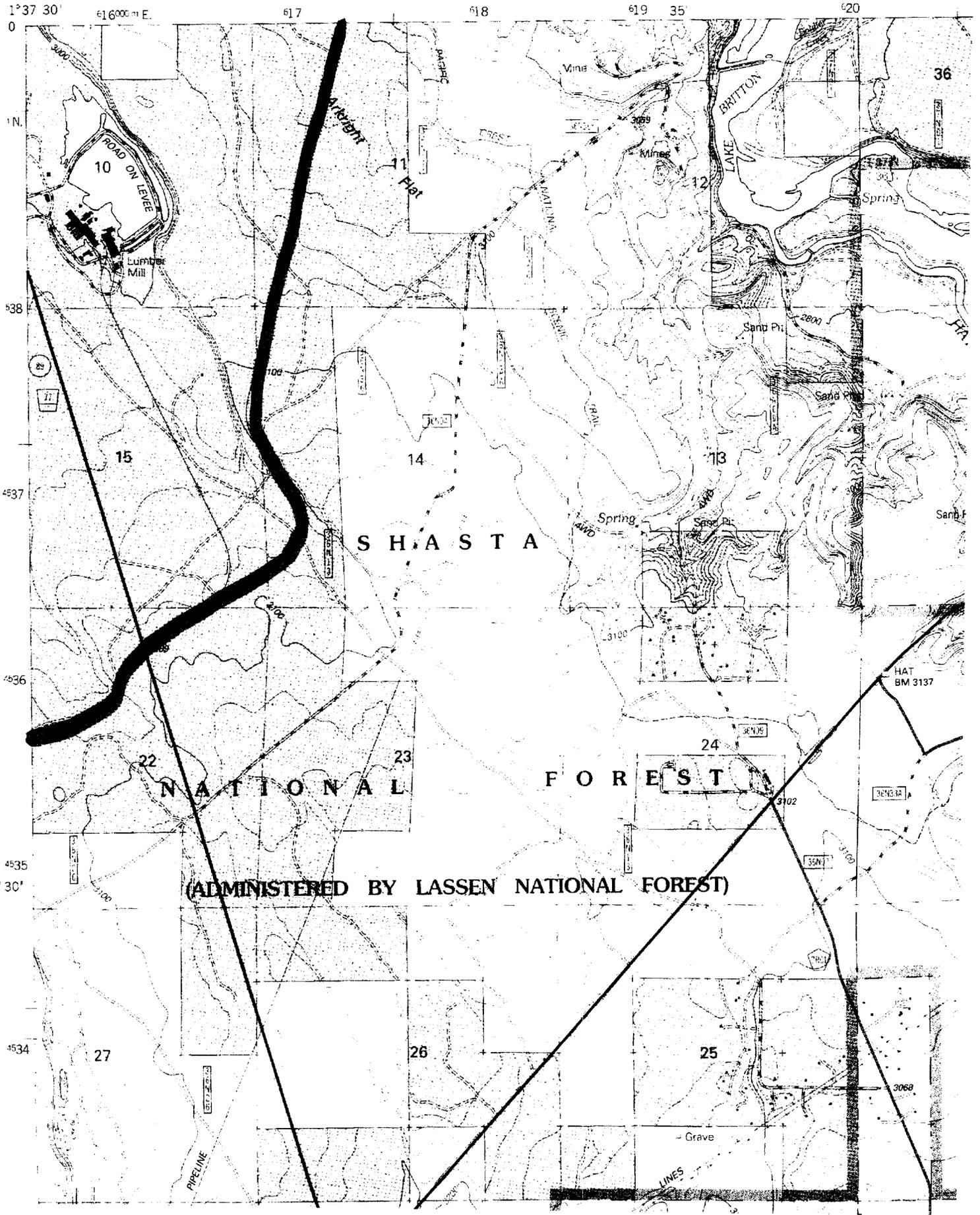


**U.S. Geological Survey
U.S. Forest Service**

photographs taken 1960. Revised from imagery dated
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 xist in other National or State reservations
 l land line or ownership document. Public lands are
 leasing, and may have access restrictions; check



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Burney Spring Mountain

p 24

Trailer Park

FOREST

LONG

VALLEY

Lookout Mountain

Black Ranch

Road on Levee

4539

4538

600 000
FEET

4537

4536

4535

57 30

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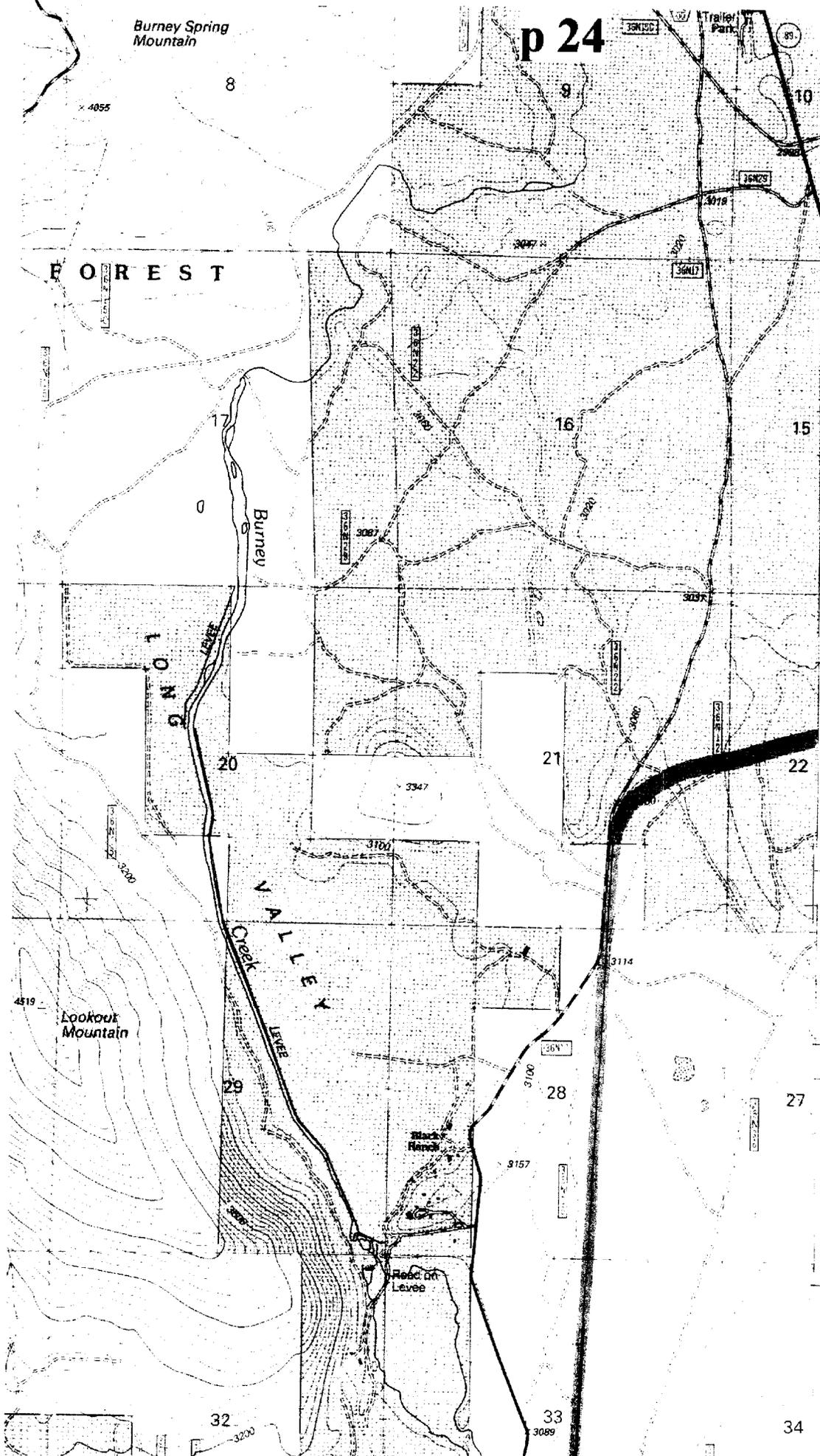
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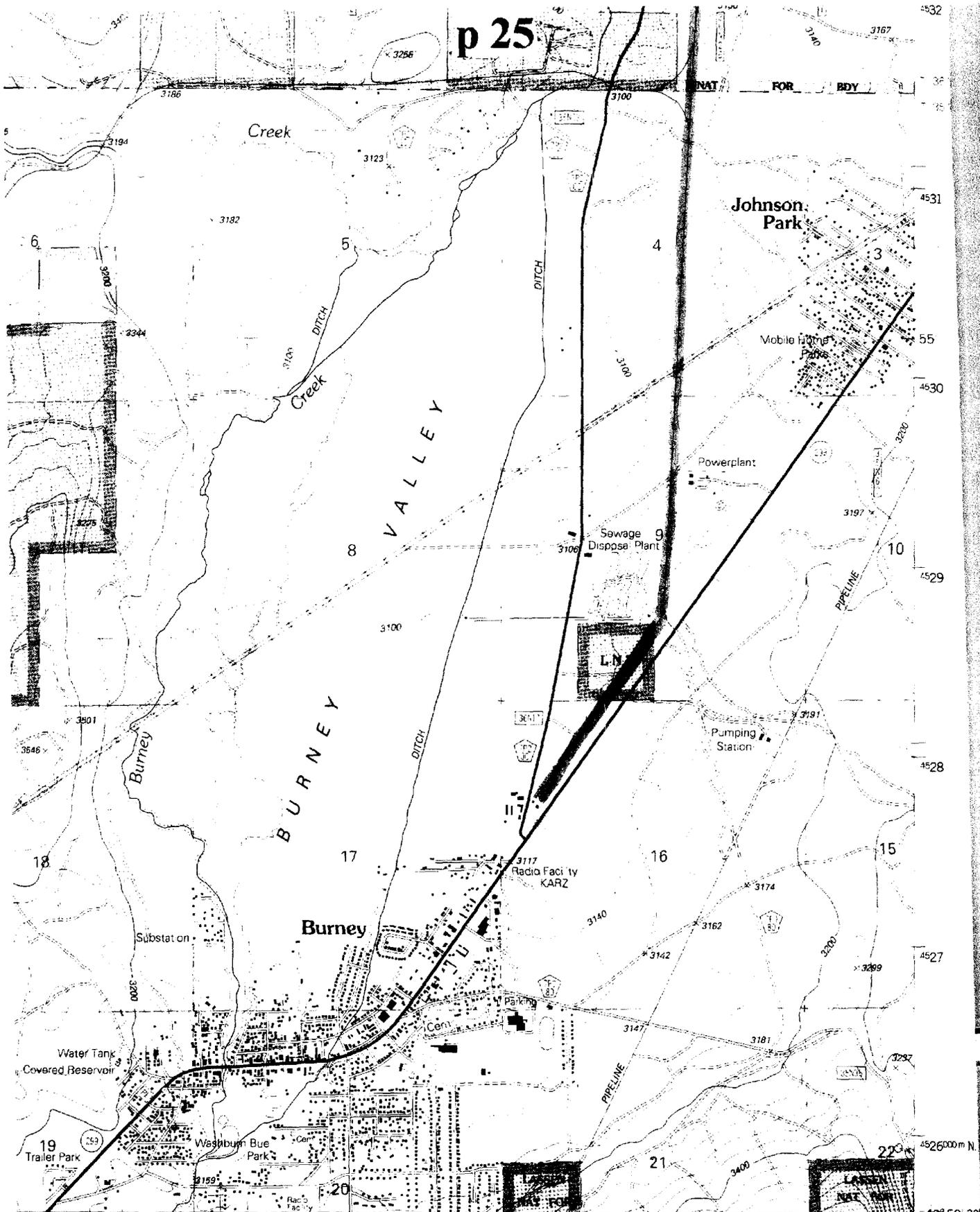
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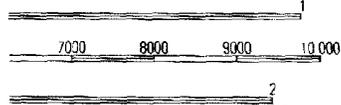




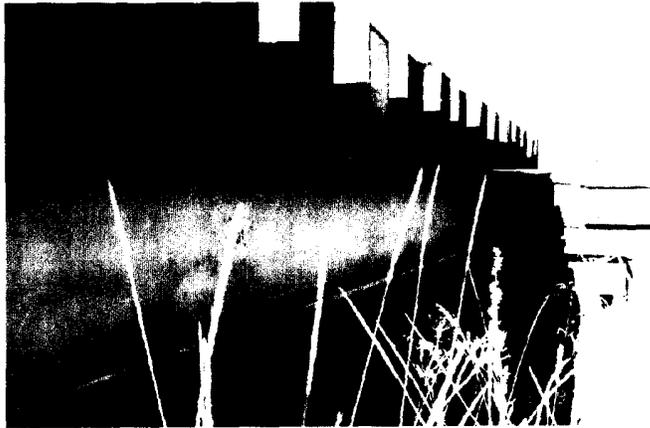
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HIGHWAYS AND ROADS

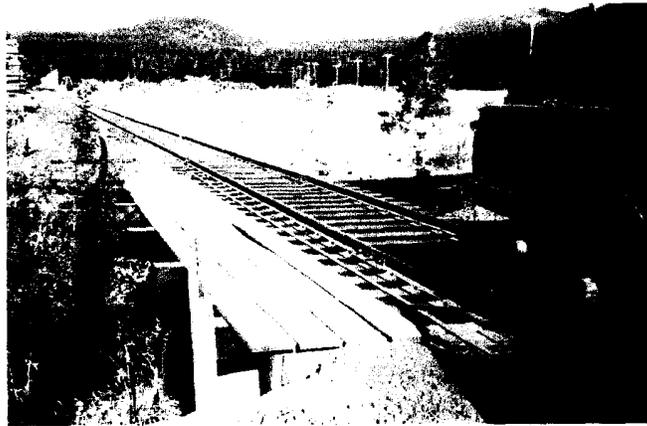
- Interstate 
- U. S. 
- Primary highway 
- Secondary highway 
- Light-duty road 



Appendix 9



MP 1.0 side



MP 1.0 top



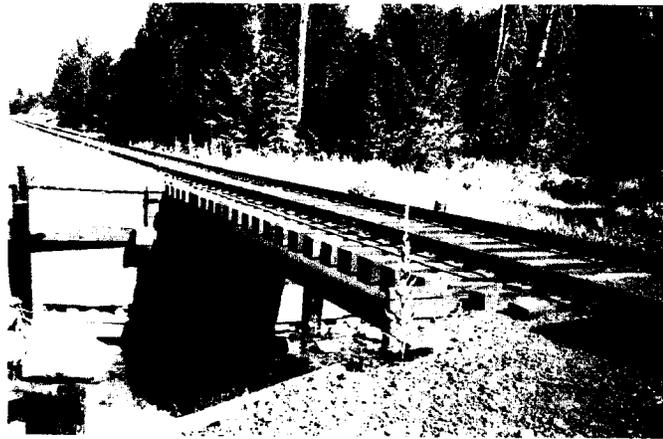
MP 4.6 side



MP 4.6 top



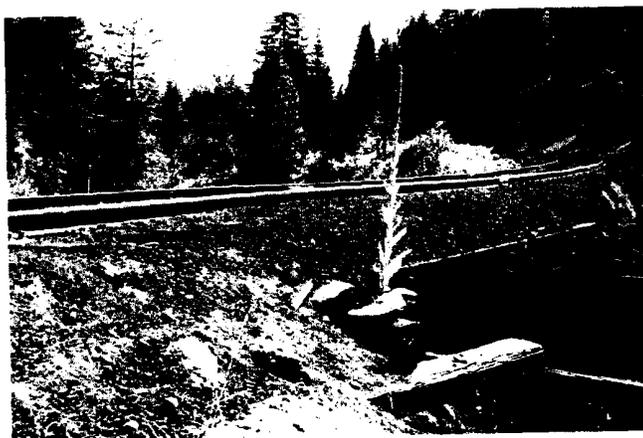
MP 22.5 side



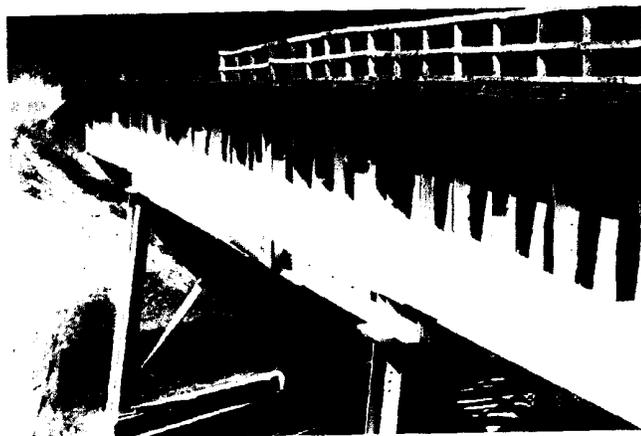
MP 22.5 top



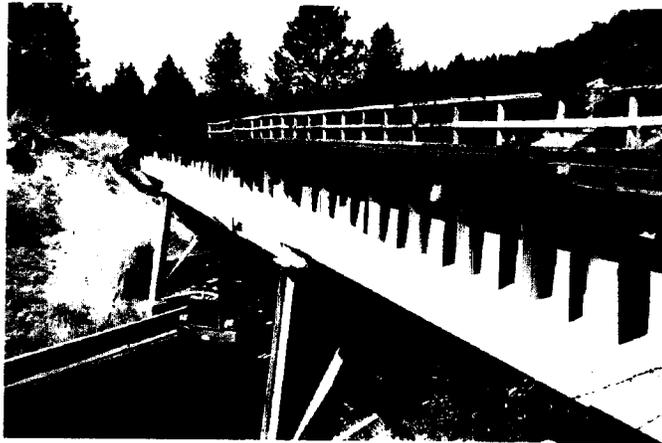
MP 34.3 side



MP 34.3 top



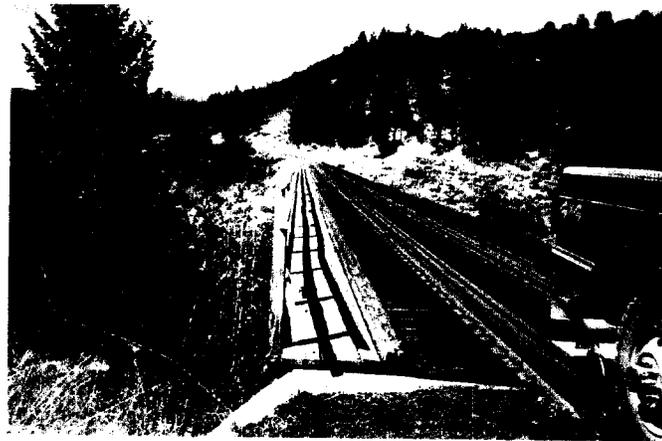
MP 50.2 side



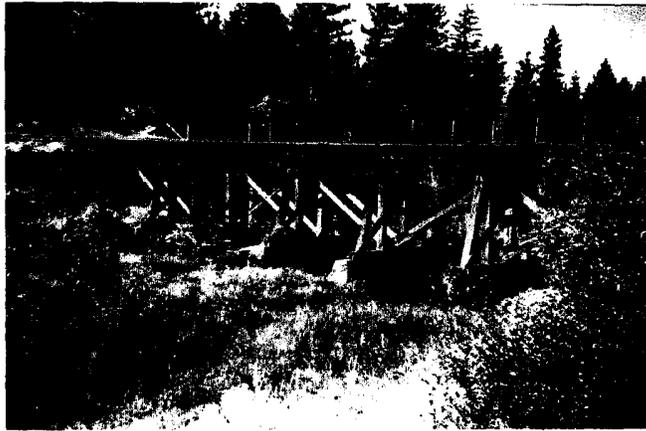
MP 50.2 side



MP 50.4 side



MP 50.4 top



MP S0.3 side



MP S2.0 side

Appendix 10

THE McCLOUD RAILWAY

CONTRIBUTED BY JEFF MOORE



The McCloud Railway Company and its predecessor company, the McCloud River Railroad Company, have been servicing the timber, mining and agricultural industries of northeastern California for over 107 years. The railroad continues to haul freight today, although passenger operations are becoming increasingly important to the company.

The McCloud River Railroad Company was incorporated on January 21, 1897 to take over construction and operation of a railroad started the year before. The new railroad connected with the Southern Pacific at Upton, California, and its intended destination was the new sawmill community of Vandale, where the newly formed McCloud River Lumber Company was building a huge sawmill and a company

town to support it. The railroad was completed into Vandale in July 1897, and service started on August 1. The railroad crossed a 1000-foot high spur of Mt. Shasta on a route that contained two switchbacks and many sections of 4% grades. Vandale was renamed McCloud shortly after the arrival of the railroad.

Although established as a common carrier, the McCloud River

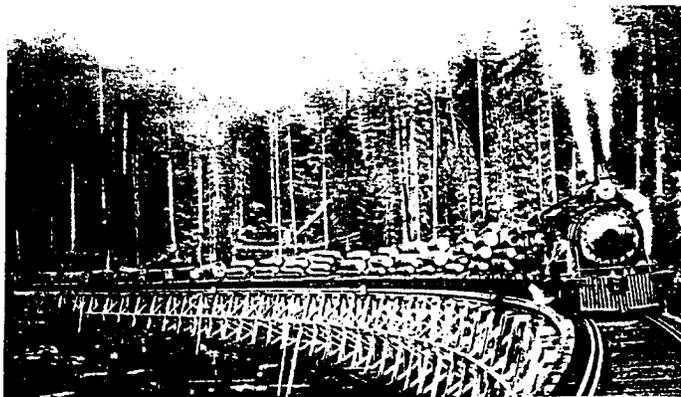
existed to serve the lumber company. The lumber company controlled the railroad until 1914, when the railroad was made independent. However, the two companies remained closely related through the years. The lumber company built many hundreds of miles of logging railroad tributary to the common carrier through the years.

The railhead remained in McCloud for only a year, as construction eastward commenced in 1898. The first extension to a sawmill purchased by the lumber company was completed in 1899, and a second extension to the small ranching community of Bartle was completed in 1905. The railroad then turned north, a move seen by many as the start of a new line to Klamath Falls, Oregon. However, construction stopped at McGavic, 15 miles beyond Bartle.

A line change eliminated one of the two switchbacks west of McCloud in 1902, and another line change in 1907 changed the western terminus of the road from Upton to Sisson (now Mt. Shasta City). The other switchback at Signal Butte remains in operation to this day as one of the last switchbacks still in service in the United States.

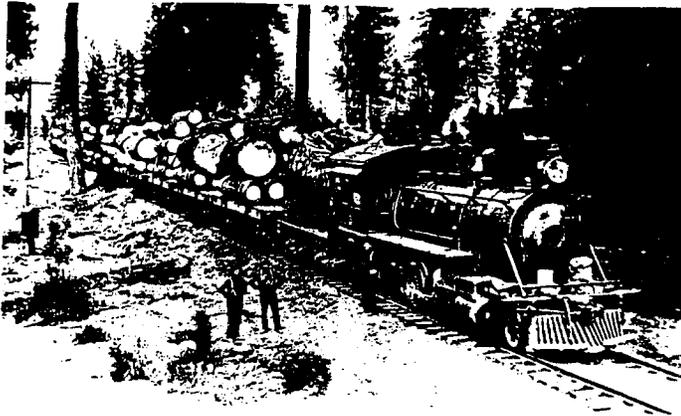
The railroad continued to expand eastward following lumber company logging operations. The eastern terminus of the common carrier was

(Continued on page 4)



Above Right: #38 and #25 in front of the McCloud shop building. Photograph by George Landrock.

Bottom #8 with a log train on a trestle just east of Bartle. Unknown photographer, from the author's collection.



Left: #9 with a log train. Unknown location and unknown photographer, from the author's collection.

Bottom Right: #15 with a log train, near Black Fox Mountain. Unknown photographer. Jeff Moore collection.



(Continued from page 3)

eventually established at a point simply known as Car A, eight miles northeast of Bartle. From 1919-1928 lumber company operations moved south and east from there, and by 1928 the end of track on the logging railroad extended over 40 miles beyond Car A. The railroad was extended from Car A south to the new logging camp of Pondosa in 1927 over trackage rights on the lumber company railroad.

Through most of this era operations on the railroad were simple, consisting of logs hauled into McCloud and finished lumber handled from there to the Southern Pacific in Mt. Shasta City. Passenger service from Mt. Shasta City to Bartle was offered until replaced by a subsidiary bus line in 1927. By 1929, the eastern extension of the lumber company logging railroad was within a mile or two of the new Great Northern line being built south from Klamath Falls. In 1931, the lumber company sold its logging railroad between Hambone and the end of track to the GN, and the McCloud River Railroad picked up the trackage between Car A and Hambone. The GN built a short

extension to tie the line into their mainline at Lookout Junction. GN hired the McCloud River to operate the Hambone-Lookout segment, and by 1931 the shortline was handling lumber eastbound from McCloud to the new GN connection.

With the exception of a few minor line changes, including a new line into Pondosa, and the conversion from steam to diesel power the railroad remained stable for the next twenty years. In the early 1950's the lumber company purchased the harvesting rights to 80,000 acres of prime timber located in the Burney basin, 65 miles southeast of McCloud. The lumber company decided that rail was the cheapest method of getting that timber to McCloud, and in 1954 the lumber company loaned a total of \$1.6 million to the railroad to finance the extension of the common carrier to Burney. The lumber company already had a logging railroad that extended from Bartle to Ditch Creek, which was sold to the railroad. Beyond Ditch Creek the railroad built a new line, reaching Burney in mid-1955. Burney was home to several

independent sawmills, and several spurs were built to reach them. The railroad during this period was handling roughly 6,000 loads of logs to McCloud and 5,500 loads of finished lumber to the two interchanges per year.

U.S. Plywood Corporation purchased both of the McCloud companies in 1964. The new owners brought many changes to the property, the most significant of which were the immediate end of log hauling by rail and the end of the company town era. The railroad continued to remain healthy on the finished forest products traffic generated by the seven sawmills and one lumber reload served by the company. U.S. Plywood was merged into U.S. Plywood-Champion Papers Inc., which later went on to become a part of Champion International Corp. The McCloud River was one of several shortlines owned by Champion International, and the parent company was not averse to using the McCloud River corporate structure elsewhere. A switching operation at a Champion-International paper mill in Samoa,

(Continued on page 5)

(Continued from page 4)

California was briefly put under the McCloud River name, and on another occasion the McCloud River was used by the parent company to purchase the Ahnapsee & Western Railroad in Wisconsin to preserve rail service to a paper mill.

The railroad restored its last remaining steam locomotive back to operation in 1962, and from then until 1975 the McCloud had a steady steam excursion program that made the road relatively well known to the railfan community.

IteI Rail purchased the McCloud River from Champion-International in early 1977. One of the first acts of the new owner was to provide the railroad with 400 new incentive per diem boxcars, and the McCloud River became the home shops and owner road for thousands of additional IteI boxcars as they came off of lease to other roads.

Unfortunately for IteI, the timber industry went into a steep recession shortly after they took over, and a series



Above: Two SD38's with a train bound for the Southern Pacific interchange in Mt. Shasta City, seen here at the Signal Butte switchback. Photo by George Landrock.

of sawmill closures between 1978 and 1979 reduced the company's customer base down to one sawmill in the Burney area. The situation did improve when California lumber giant Sierra Pacific Industries (SPI) purchased and re-opened one of the closed sawmills in Burney. Carloads slid to less than 1,000 a year by the dawn of the 1980's. The railroad

searched for other revenue producing ideas including promoting the road as a location for movie work, leasing out surplus locomotives to other railroads and marketing the services of the railroad's shop. The steam excursion program came back between 1982 and 1986 in conjunction with a private party. Freight traffic started to rebound in 1986 when two new traffic sources developed. Outbound diatomaceous earth loaded at Cayton by Dicalite Corp. and inbound paper off of the Burlington Northern at Lookout that came to a reload in McCloud for transfer to trucks for final delivery to printers near Reno, Nevada. The late 1980's also saw the removal of most of the Pondosa branch, which had seen no use beyond boxcar storage since the sawmill in the old logging community, closed in 1979. By the early 1990's the railroad was in the healthiest shape it had been in for many years.

In 1991, IteI announced that it was going to exit the railroad business as

(Continued on page 6)



Above: #37 with a special excursion in the McCloud yards, wearing the silver and red applied to the #36 and 37 in 1996-1997. Photograph by Alicia Moore.



Left: McCloud's #38 leading the train. Photograph by George Landrock.

Above: Train runs through Lookout Junction. Photograph by Sean Zwagerman.

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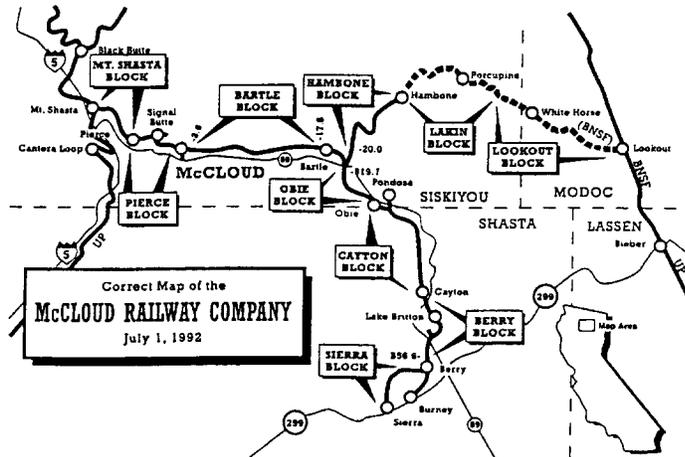
soon as possible. The 70,000 railcars owned by the company (including approximately 2,000 on the McCloud River roster) were sold to a subsidiary of GE capital. Buyers were quickly found for the other Itel properties, but the for sale sign placed on the McCloud did not generate much excitement. The one person seriously interested in the road was Jeff Forbis, who had been appointed president of the company by Itel in 1988. Mr. Forbis and his family formed 4-Rails Inc., and in late March of 1992 they struck an agreement with Itel to purchase the road. The new owners took over on July 1, 1992. A new company, the McCloud Railway Company, was formed to take over the operations of the road.

Freight traffic on the railroad peaked at over 3,000 loads a year by 1996. SPI remained the largest shipper on the road, with inbound paper to the reload and outbound diatomaceous earth rounding out the traffic picture. Seasonal agricultural movements in the form of wheat and sugar beets from the Burney area were handled for a few years in the mid-1990's. However,

freight traffic levels fell sharply after 1997. The biggest loss was the paper traffic, which went to an all-Burlington Northern Santa Fe routing after that company received trackage rights directly into Reno as a condition of the UP-SP merger. By 2000, carloads were back down to only 1500-2000 per year. At present only two steady shippers remain on the railroad, the SPI sawmill at the end of the Sierra branch and the Dicalite Corp. reload at Cayton.

As the freight business fell off, the passenger business returned. The first excursion under the new ownership occurred in 1994 when Trains Unlimited Tours brought one of the road's former steam locomotives back from the neighboring Yreka Western for a weekend's worth of excursions. By the following year the company was in the passenger business for itself. Seven heavyweight passenger coaches were purchased at auction, and three

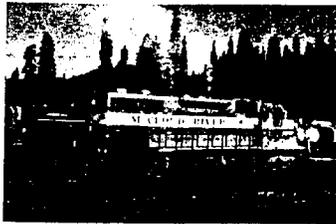
(Continued on page 7)



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former maintenance-of-way flatcars were re-built for the excursion service. The Forbis family launched the Shasta Sunset Dinner Train in the fall of 1995, and within a year four of the heavyweights were in service and seven more coaches had been obtained from various sources to fill out the excursion fleet. Steam power returned to the roster in 1995, with that locomotive back in operation by the fall of 1997. A second steam locomotive originally from the McCloud River was re-purchased in 1998, and it returned to service in February of 2001. The dinner train has become a year round operation on Saturday nights, with Thursday and Friday runs as well as regular excursion trains and various specials added during the summer months.

Current freight operations on the road sees trains operating to Burney from twice a week to daily, depending on the shipping needs of the SPI sawmill. Corresponding runs to Mt. Shasta City are made after each Burney trip to deliver loads to and obtain empties from the Union Pacific.



Above: Photograph by George Landrock.

Right: #25 with a charter photo freight near Swobe. Photograph taken in the spring of 1997. Photograph by Alicia Moore.



Above: Lookout train west bound at Bartle track. Photograph by Sean Zwagerman.

Service on the Lookout line dropped to once a week or less after the paper traffic was diverted away from the McCloud, and in late 2003 BNSF struck a haulage agreement with Union Pacific that will see McCloud-BNSF interchange traffic handled by the UP between Mt. Shasta City and Klamath Falls. This action allowed BNSF to abandon their portion of the Lookout line, and the last train to Lookout ran on December 16, 2003.

The railroad celebrated 100 years of existence in 1997 and 10 years as an independent company in 2002, and as long as freight shipments from SPI remain strong the railroad has a reasonably secure future.

For more information about the Shasta Sunset Dinner Train please visit <http://www.shastasunset.com>. The author of this article also maintains a website about the McCloud Railway at <http://www.trainweb.org/mccloudrails>.



LAW OFFICE
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CHICAGO, ILLINOIS 60604-1112
TELEPHONE (312) 236-0204
FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. McFARLAND

March 8, 2005

California Department
of Parks and Recreation
Office of Historic Preservation
1416 9th Street, Rm. 1442
Sacramento, CA 94296-0001

Re: STB Docket No. AB-914X, *McCloud Railway Company -- Abandonment and Discontinuance of Service Exemption -- Entire Rail Line in Siskiyou, Shasta and Modoc Counties, CA*

Dear Sir or Madam:

On or about March 31, 2005, I expect to file a petition with the Surface Transportation Board (STB) in behalf of McCloud Railway Company (MCR) for an exemption for abandonment of its entire rail line. MCR's rail line consists of the following segments: from a point of connection with Union Pacific Railroad Company (UP) at Mt. Shasta, CA (Milepost [MP] M-15.2) to Burney, CA (MP B-61); from Bartle, CA (MP B-19) to Hambone, CA (MP 31.4); from Berry, CA (MP B-58) to Sierra, CA (MP S-7); and from Bear Flat, CA (MP B-31.6) to Pondsosa, CA (MP P-3.93), a total distance of approximately 100 miles in Siskiyou and Shasta Counties, CA. MCR also has trackage rights over a rail line of Burlington Northern & Santa Fe Railway Company (BNSF) from Hambone, CA (MP 31.4) to Lookout, CA (MP 0.0), a distance of approximately 31.4 miles in Siskiyou and Modoc Counties, CA. The petition would be captioned as above. A 15-mile segment of the rail line between Mt. Shasta and McCloud, CA would be reclassified as industrial track for continued rail use after abandonment. All other rail service would cease and all other rail trackage would be removed.

Enclosed is a draft Environmental and Historic Report that I have prepared to describe the proposed action and its environmental and historic effects. The action is described in Item 1 of the Environmental Report. Maps of the area appear as Appendix 1 attached to the Report.

Docket No. AB-914X
Draft Env. & Historic Report

Appendix 11 (Page 1 of 2)

California Department
of Parks and Recreation
March 8, 2005
Page 2

Pursuant to STB regulations, MCR is required to consult with your agencies regarding the effect of the proposed action on local and regional land use plans (see Item 7 of the Historic Report).

You are entitled to comment on the draft of statements that I have made. Any comments that you submit will be considered by the STB in evaluating the environmental and historic impacts of the proposed abandonment.

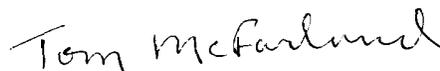
Your comments should be directed to:

Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

You should send a copy of your comments to me at the address shown on this letterhead. Because the applicable statutes and regulations impose stringent deadlines for processing exemptions for abandonment, any comments that you submit should be sent within 3 weeks of your receipt of this letter.

Should you have any questions, you can contact the STB's Section of Environmental Analysis at (202) 565-1552 or the undersigned at (312) 236-0204.

Very truly yours,



Thomas F. McFarland
*Attorney for McCloud
Railway Company*

TMcF:kl:enc:wp8.0\1005\trchp01

**Docket No. AB-914X
Draft Env. & Historic Report**

Appendix 11 (Page 2 of 2)

CERTIFICATE OF SERVICE

I hereby certify that on March 8, 2005, I served the foregoing document, Draft Environmental And Historic Report, by first-class, U.S. mail, postage prepaid, on the following:

California State Clearinghouse
1400 Tenth Street
Sacramento, CA 95814

California Environmental Protection Agency
1001 I Street
P.O. Box 2815
Sacramento, CA 95812-2815

National Geodetic Survey
NOAA, N/NGS12
SSMC-3, #9202
1315 East-West Highway
Silver Spring, MD 20910-3282

U.S. Environmental Protection Agency
Region 9
75 Hawthorne Street
San Francisco, CA 94105

U.S. Army Corps of Engineers
Sacramento District
1325 J Street
Sacramento, CA 95814

U.S. Fish & Wildlife Service
Pacific Region
911 Northeast 11th Avenue
Portland, OR 97232

Siskiyou County Planning Department
P.O. Box 1085
Yreka, CA 96097

Modoc County Administrative Services
114 East North Street
Alturas, CA 96101

Mr. H. Douglas Latimer
County Administrator
Shasta County
1815 Yuba Street, Suite 1
Redding, CA 96001

The National Park Service
One Jackson Center
1111 Jackson Street, Suite 700
Oakland, CA 94607

California Department of Transportation
1120 N Street
P.O. Box 942873
Sacramento, CA 94273-0001

Thomas F. McFarland

Thomas F. McFarland

AFFIDAVIT OF PUBLICATION

THOMAS F. MCFARLAND
208 S. LASALLE ST., #1890
CHICAGO, IL 60604-1112

IN THE MATTER OF
NOTICE OF INTENT
TO ABANDON RAIL LINE

STATE OF CALIFORNIA) ss:
County of Siskiyou)

LORI SETZER

of said County, being duly sworn, deposed and says: THAT she is and at all times herein mentioned was a citizen of the United States of America, over the age of twenty-one years, and that she is not, nor was she at any of the times hereinafter named a party to, nor interested in the above entitled matter; that she is the PRINCIPAL CLERK OF THE PRINTER OF THE SISKIYOU DAILY NEWS, a newspaper of general circulation, printed and published in the City of Yreka, County of Siskiyou, State of California, and which newspaper is published for the dissemination of local and telegraphic news and intelligence of a general character, and which newspaper at all times herein mentioned had and still has a bona fide subscription list of paying subscribers, and which newspaper has been established, printed and published at regular intervals in the said City of Yreka, County of Siskiyou, State of California, for a period exceeding one year next preceding the date of publication of the notice hereinafter referred to; and which newspaper is not devoted to nor published for the interests, entertainment or instruction of a particular class, profession, trade, calling, race or denomination, or any number of same; that the notice, of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof, on the following: dates, to-wit:

MARCH 14, 2005

Siskiyou Daily News adjudicated May 18, 1953, No. 15190

I certify (or declare) under the penalty of perjury that the foregoing is true and correct.

(Signed)

Date:

Lori Setzer
3-14-05

NOTICE OF INTENT TO ABANDON RAIL LINE
McCLOUD RAILWAY COMPANY (MCR) gives notice that on or about March 31, 2005 it intends to file with the Surface Transportation Board, Washington, DC 20423, a Petition for Exemption under 49 U.S.C. § 10502 from the prior approval requirements of 49 U.S.C. § 10503 for MCR to abandon its entire rail line of railroad. MCR's rail line consists of the following segments: from a point of connection with Union Pacific Railroad Company (UP) at Mt. Shasta, CA (Miles MP 15.2) to Burney, CA (MP B-1); from Burney, CA (MP B-1) to Hamblen, CA (MP H-1); from Burney, CA (MP B-1) to Sierra, CA (MP S-1); and from Bear Flat, CA (MP B-1.6) to Fendore, CA (MP F-1.8); a total distance of approximately 100 miles in Siskiyou and Shasta Counties, CA. MCR also has trackage rights over a rail line of Burlington Northern & Santa Fe Railway Company (BNSF) from Hamblen, CA (MP H-1) to Lookout, CA (MP L-0), a distance of approximately 31.4 miles in Siskiyou and Medoc Counties, CA. MCR's rail line traverses through United States Postal Zip Codes 96097 (Mt. Shasta), 96067 (McCloud) and 96013 (Burney), in Siskiyou, Shasta and Medoc Counties. The proceeding has been docketed as STB Docket No. AB-914X. If an exemption for abandonment becomes effective, MCR will realign 18.3 miles of track between Mt. Shasta and McCloud, CA as industrial track for continued rail freight and passenger operation.

The Board's Section of Environmental Analysis (SEA) will generally prepare an Environmental Assessment (EA), which will normally be available 60 days after the filing of the petition for abandonment exemption. Comments on environmental and energy matters should be filed no later than 30 days after the EA becomes available to the public and will be addressed in a Board decision. Interested persons may obtain a copy of the EA or make inquiries regarding environmental matters by writing to SEA, Surface Transportation Board, Washington, DC 20423 or by calling SEA at 202-977-8511.

Appropriate offers of financial assistance to continue rail service can be filed with the Board. Requests for environmental conditions, public use conditions or rail banking trails use also can be filed with the Board. An original and 10 copies of any pleading that raises matters other than environmental issues (such as trails use, public use, and offers of financial assistance) must be filed directly with the Board's Office of the Secretary, 1925 K Street, N.W., Washington, DC 20423 (See 49 C.F.R. 1104.1(a) and 1104.2(a)), and one copy must be served on applicant's representative (See 49 C.F.R. 1104.15(a)). Questions regarding offers of financial assistance, public use or trails use may be directed to the Board's Office of Congressional and Public Services at 202-966-1692. Copies of any comments or requests for conditions should be served on the applicant's representative, Thomas F. McFarland, Thomas F. McFarland, P.C., 208 South LaSalle Street, Suite 1890, Chicago, IL 60604-1112, News 65003, Pub. March 14, 2005.

Docket No. AB-914X
Petition for Exemption

APPENDIX 6 (Pg 1 of 3)

In the Superior Court of the State of California
in and for the County of Shasta

CERTIFICATE OF PUBLICATION
RECORD SEARCHLIGHT

THOMAS MCFARLAND PC
208 S LASALLE ST STE 1890
CHICAGO IL 60604

REFERENCE: 00605286
6294425 NOTICE OF INTENT TO

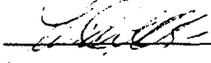
State of California
County of Shasta

I hereby certify that the Record Searchlight is a newspaper of general circulation within the provisions of the Government Code of the State of California, printed and published in the City of Redding, County of Shasta, State of California; that I am the principal clerk of the printer of said newspaper; that the notice of which the annexed clipping is a true printed copy was published in said newspaper on the following dates, to wit;

PUBLISHED ON: 03/19

FILED ON: 03/24/05

I certify under penalty of perjury that the foregoing is true and correct,
at Redding, California on the above date.



RECORD SEARCHLIGHT
1101 Twin View Blvd, Redding, CA 96003

Docket No. AB-914X
Petition for Exemption

APPENDIX 6 (Pg 2 of 3)

NOTICE OF INTENT TO ABANDON RAIL LINE

McCLOUD RAILWAY COMPANY (MCR) gives notice that on or about March 31, 2005 it intends to file with the Surface Transportation Board, Washington, DC 20423, a Petition for Exemption under 49 U.S.C. 10903 for MCR to abandon its entire rail line of railroad. MCR's rail line consists of the following segments: from a point of connection with Union Pacific Railroad Company (UP) at Mt. Shasta, CA (Milepost [MP] M-15.2) to Burney, CA (MP B-81); from Bartle, CA (MP B-19) to Hambone, CA (MP 31.4); from Berry, CA (MP B-58) to Sierra, CA (MP S-7); and from Bear Flat, CA (MP B-31.6) to Pandoas, CA (MP P-3.93), a total distance of approximately 100 miles in Siskiyou and Shasta Counties, CA. MCR also has trackage rights over a rail line of Burlington Northern & Santa Fe Railway Company (BNSF) from Hambone, CA (MP 31.4) to Lookout, CA (MP 0.0), a distance of approximately 31.4 miles in Siskiyou and Modoc Counties, CA. MCR's rail line traverses through United States Postal Zip Codes 96087 (Mt. Shasta), 96057 (McCloud) and 96013 (Burney), in Siskiyou, Shasta and Modoc Counties. The proceeding has been docketed as STB Docket No. AB7814X. If an exemption for abandonment becomes effective, MCR will reclassify 15.2 miles of track between Mt. Shasta and McCloud, CA as industrial track for continued rail freight and passenger operation. The Board's Section of Environmental Analysis (SEA) will generally prepare an Environmental Assessment (EA), which will normally be available 60 days after the filing of the petition for abandonment exemption. Comments on environmental and energy matters should be filed no later than 30 days after the EA becomes available to the public and will be addressed in a Board decision. Interested persons may obtain a copy of the EA or make inquiries regarding environmental matters by writing to SEA, Surface Transportation Board, Washington, DC 20423 or by calling SEA at 202-927-6211. Appropriate offers of financial assistance to continue rail service can be filed with the Board. Requests for environmental conditions, public use conditions, or rail banking/trails use also can be filed with the Board. An original and 10 copies of any pleading that raises matters other than environmental issues (such as trails use, public use, and offers of financial assistance) must be filed directly with the Board's Office of the Secretary, 1925 K Street, N.W., Washington, DC 20423 (See 49 C.F.R. 1104.1(a) and 1104.3(a)), and one copy must be served on applicant's representative (See 49 C.F.R. 1104.12(a)). Questions regarding offers of financial assistance, public use or trails use may be directed to the Board's Office of Congressional and Public Services at 202-565-1592. Copies of any comments or requests for conditions should be served on the applicant's representative, Thomas F. McFarland, Thomas F. McFarland, P.C., 208 South LaSalle Street, Suite 1890, Chicago, IL 60604-1112. March 19, 2005 6294425

PROOF OF PUBLICATION

The Modoc County Record
P.O. Box 531
Alturas, CA 96101

State of California
County of Modoc

I am a citizen of the United States and a resident of the county aforesaid; I am over the age of eighteen years; I am not a party to or interested in the notice published. I am the Publisher of the Modoc County Record, a newspaper of general circulation, printed and published weekly in the City of Alturas, County of Modoc. The Modoc County Record has been adjudged a newspaper of general circulation by the Superior Court of the County of Modoc, State of California, under the date of July 30, 1958, Case Number 6356. The notice of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to wit:

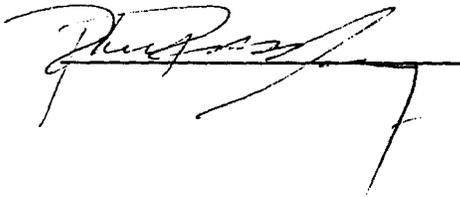
March 17

all in the year 2005

I certify (or declare) under the penalty of perjury that the following is true and correct:

Dated at Alturas, California, this

17th day of March, 2005



LEGAL NOTICE Notice of Intent to Abandon Rail Line

McCloud Railway Company (MCR) gives notice that on or about March 31, 2005 it intends to file with the Surface Transportation Board, Washington, DC 20423, a Petition for Exemption under 49 U.S.C. § 10502 from the prior approval requirements of 49 U.S.C. § 10903 for MCR to abandon its entire rail line of railroad. MCR's rail line consists of the following segments: from a point of connection with Union Pacific Railroad Company (UP) at Mt. Shasta, CA (Milepost [MP] M-15.2) to Burney, CA (MP B-61); from Bartle, CA (MP B-19)

to Hambone, CA (MP 31.4); from Berry, CA (MP B-58) to Sierra, CA (MP S-7); and from Bear Flat, CA (MP B-31.6) to Pondosa, CA (MP P-3.93), a total distance of approximately 100 miles in Siskiyou and Shasta Counties, CA. MCR also has trackage rights over a rail line of Burlington Northern & Santa Fe Railway Company (BNSF) from Hambone, CA (MP 31.4) to Lookout, CA (MP 0.0), a distance of approximately 31.4 miles in Siskiyou and Modoc Counties, CA. MCR's rail line traverses through United States Postal Zip Codes 96067 (Mt. Shasta), 96057 (McCloud) and 96013 (Burney), in Siskiyou, Shasta and Modoc Counties. The proceeding has been docketed as STB Docket No. AB-914X. If an exemption for abandonment becomes effective, MCR will reclassify 15.2 miles of track between Mt. Shasta and McCloud, CA as an indus-

trial track for continued rail freight and passenger operation.

The Board's Section of Environmental Analysis (SEA) will generally prepare an Environmental Assessment (EA), which will normally be available 60 days after the filing of the petition for abandonment exemption. Comments on environmental and energy matters should be filed no later than 30 days after the EA becomes available to the public and will be addressed in a Board decision. Interested persons may obtain a copy of the EA or make inquiries regarding environmental matters by writing to SEA, Surface Transportation Board, Washington DC 20423 or by calling SEA at (202)927-6211.

Appropriate offers of financial assistance to continue rail service can be filed with the Board. Requests for environmental conditions, public use conditions, or rail banking/trails use also can be filed with the Board. An original and 10 copies of any pleading that raises matters other than environmental issues (such as trails use, public use, and offers of financial assistance) must be filed directly with the Board's Office of the Secretary, 1925 K Street, N.W., Washington, DC 20423 (See 49 C.F.R. 1104.1(a) and 1104.3(a)), and one copy must be served on applicant's representative (See 49 C.F.R. 1104.12(a)). Questions regarding offers of financial assistance, public use or trails use may be directed to the Board's Office of Congressional and Public Services at (202)565-1592. Copies of any comments or requests for conditions should be served on the applicant's representative, Thomas F. McFarland, Thomas F. McFarland, P.C., 208 South LaSalle Street, Suite 1890, Chicago, IL 60604-1112. Published in the *Modoc County Record* on March 17, 2005.

Docket No. AB-914X
Petition for Exemption

APPENDIX 6 (Pg 3 of 3)

CERTIFICATE OF SERVICE

I hereby certify that on June 24, 2005, I served the foregoing document, Petition For Exemption From 49 U.S.C. 10903, by first-class, U.S. mail, postage prepaid, on the following:

California Department of Transportation
1120 N Street
P.O. Box 942873
Sacramento, CA 94273-0001

SDDCTEA
Attn: Railroads for National Defense
720 Thimble Shoals Blvd., Suite 130
Newport News, VA 23606-2574

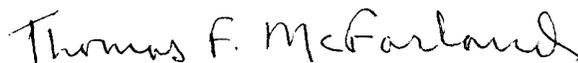
National Park Service
1849 C Street, N.W.
Washington, DC 20240

U.S. Department of Agriculture
Chief of the Forest Service
4th Floor NW, Auditors Building
14th Street & Independence Ave., S.W.
Washington, DC 20250

Sierra Pacific
P.O. Box 496028
Redding, CA 96049-6028

Dicalite
c/o KLS Logistics Services
3061 Independence Drive, Suite F
Livermore, CA 94550

Werner Enterprises
P.O. Box 45308
Omaha, NE 68145-0308



Thomas F. McFarland